## City of Minneapolis FY 2002 Budget Financial Plans and Budgets

The schedules that follow contain the Financial Plans for the major funds of the City. Detailed financial plans are included for the following major funds, listed below. For the other funds of the City, financial information (expenditure and revenue) is included in the *Financial Schedules Section* of this report.

#### General Fund

### > Special Revenue Funds

- Convention Center Special Revenue Fund
- Community Development Block Grant Fund

#### Enterprise Funds

- Solid Waste and Recycling Fund
- Storm Water, Sewer, and Flood Mitigation Utility Fund
- Water Treatment and Distribution Fund
- Municipal Parking Fund

### > Internal Service Funds

- Self -Insurance Fund
- Permanent Improvement Equipment Fund
- Intergovernmental Services Fund
- Engineering Materials and Testing Fund
- Property Services

### ➤ MCDA – Five Year Community Development Plan 2002 - 2006



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## City of Minneapolis General Fund

## **Background**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major sources of revenue include and their relative percentage of total General Fund financial sources are:

"Shared Taxes" (Local Government Aid from the State) – 36%

Property taxes – 23%

Franchise fees – 9%

Licenses and permits – 8%

Transfers (operating subsidies) from other funds – 7%

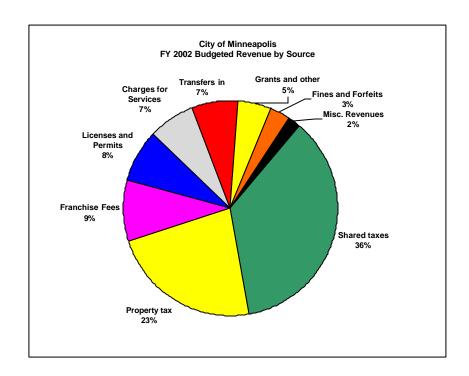
Charges for services and sales – 7%

Grants and other Intergovernmental Revenue – 5%

Fines and forfeits – 3%

Miscellaneous revenues (including interest earnings) – 2%

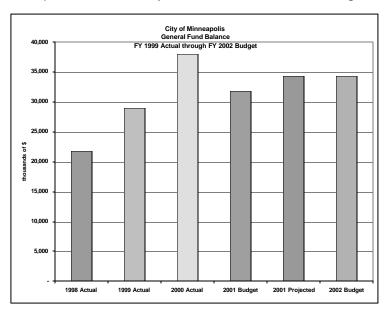
Combined, the two largest revenues (Shared Taxes and the City's Property Tax) have historically accounted for approximately 60% of total sources of funds for the General Fund. The top four sources of funds account for more than 75% of the General Fund's annual financial inflows.



#### **Historical Financial Performance**

The results of the General Fund's annual operations are closed annually into the fund's "fund balance". The General Fund's balance measures the amount of available, spendable, resources owned by the fund. In other words, the General Fund's balance is a measure of the cash that is available to be appropriated by the Mayor and Council to accomplish the City's goals and objectives. In addition, the balance provides the City a reserve to cushion adverse economic shocks and to meet the City's liquidity needs. The City's policy is to maintain a minimum fund balance of 10% of current expenditures for the General Fund.

For several years, the City has been able to increase its General Fund Balance. In FY 2000, for example, the General Fund operations resulted in approximately a \$9 million increase in fund balance to an historic level of approximately \$38 million. In their FY 2001 Budget, the Mayor and Council decided to appropriate or spend down part (\$6.2 million) of that balance. However, projections as of the close of the third quarter show revenues ahead of budget and expenditures are projected to be below budgeted levels. As a result, while fund balance is still expected to decline for the year, the total reduction is expected to be only about one half of the budgeted reduction.

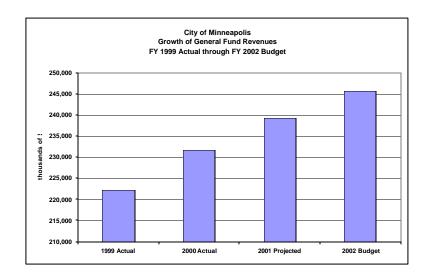


Although the City appropriated a small amount of fund balance for the 2001 budget, the year-end balance is expected to be well above policy minimums. The FY 2002 budget is balanced without appropriating fund balance. The City plans a FY 2002 balance equal to the FY 2001 balance of \$35 million. At \$35 million, the General Fund balance will exceed policy minimums for FY 2002. The City has met the 10% reserve policy in past years and plans to meet the reserve policy in future years.

## 2002 Adopted Budget

#### Revenues

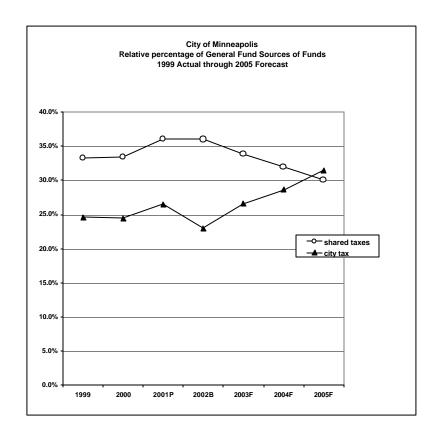
The General Fund 2002 budget includes a total of \$245.8 million of revenues and other sources including \$17.4 million from transfers from other funds. Budgeted General Fund revenues for 2002 are approximately 6% higher than 2001 budget. The 2002 budgeted revenues represent a 11% increase over 1999 actual revenues.



As the chart below shows, the distribution of total revenue among the General Fund's revenue categories has been very steady over time. That is, as General Fund revenues have increased to support increased expenditures, each revenue category has increased at roughly the same rate to maintain stable proportions among the various funding sources.

General Fund Revenue as Percent of Total	4000	2222	2024	2222	3-year average
	1999 Actual	2000 Actual	2001 Projected	2002 Budget	(1999- 2001)
Shared taxes	33.3%	33.4%	36.0%	36%	34.3%
Property tax	24.6%	24.4%	26.5%	23%	25.2%
Franchise Fees	8.9%	9.3%	9.3%	9%	9.2%
Licenses and Permits	7.6%	8.3%	7.8%	8%	7.9%
Charges for Services	8.1%	7.4%	6.1%	7%	7.2%
Transfers in	7.3%	6.5%	6.8%	7%	6.9%
Grants and other	5.2%	4.8%	2.5%	5%	4.2%
Fines and Forfeits	2.7%	2.9%	3.0%	3%	2.9%
Misc. Revenues	2.3%	2.9%	2.0%	2%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Shared taxes and the local levy: The most important development in the City's revenue picture was the recently adopted changes in the State's School financing program and Tax laws. The immediate impact was the elimination of the Homestead and Agricultural Aid program (HACA) which was absorbed into the Local Government Aid program. For the 2002 budget, this change had no effect on the City; total aids actually increased slightly over FY 2001 levels. However, the new laws suggest a shift in the State's thinking about aid to local governments. It appears unlikely that the State will increase local government aid funding in the short run. Therefore, the City is projecting no growth in State aids for the years 2003 through 2005. If this assumption proves correct, more of the cost of General Fund services will be paid through the local levy.



Franchise fees are a paid by various utility companies for their use of City rights of way. Franchise fees are a percentage of total utility revenues. Therefore, the City's collections co-vary directly with the paying utility's gross revenues. Because of the high cost of natural gas, which were passed along to ratepayers, the City experienced "windfall" franchise earnings in FY 2000. In FY 2000, the City's franchise revenues were \$21.6 million versus a budget of approximately \$20 million. Franchise fees are expected to exceed budget for FY 2001. However, because of falling natural gas prices as well as a generally lower level of economic activity, the City is expecting franchise revenues to moderate in FY 2002 and future years.

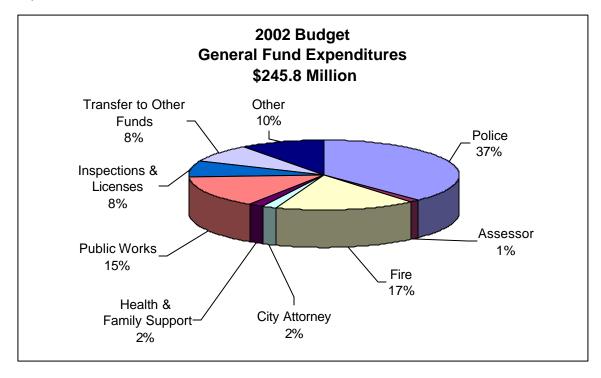
Licenses and Permits are another significant revenue for the City's General Fund. The City issues licenses and permits for a wide variety of regulated activities. Building permits are a major component of this revenue category. For the FY 2002 budget, the City expects that the momentum of development/redevelopment activity in the City will help support permit revenues through the next year. However, we also expect that the recent downturn in economic activity will have a delayed effect. Therefore, while we have budgeted for strong permit revenues through 2002, the City plans for permit revenues to decline in FY 2003 but then rebound in the following years.

## Expenditures

The total 2002 Budget for the General Fund is \$245.8 million, which includes \$20.0 million in transfers to other funds. After adjusting for transfers the 2002 budget increased from \$218.3 million in 2001 (adopted) to \$225.8 in 2002, or a 3.4% increase.

For 2002, the one-time transfer of \$5.2 million of cash from the General Fund to the Equipment Services Fund was eliminated as planned. In addition, the one-time transfer of \$1.0 million from the General Fund reserve, "budget stabilization account", to the Permanent Improvement Fund for capital infrastructure was eliminated as planned. The combined total of the transfers included in the 2001 adopted budget was \$6.2 million for these items. The source of cash came from the General Fund reserve that was in excess of the 10% reserve policy.

Below is a graph with the 2002 expenditures by department. Public Safety expenditures, Police, Fire, City Attorney, comprise the largest percent of General Fund expenditures.



The General Fund budget for City departments include \$10.8 million in **targeted budget reductions**, a net 4.3% reduction in operating expenditures. The Council recommended \$5.3 million in additional cuts to departments financed from the general fund.

In addition to identifying spending reductions, the 2002 Budget includes \$2.1 million in additional non-property tax General Fund revenue options to balance the budget – including inflationary adjustments to licenses and inspection fees and additional reimbursement revenues.

Decision packages totaling \$3.8 million are included in the Budget. This total includes \$1.7 million of additional operating costs for the Information Technology Services Department related to software licensing and other software maintenance costs. And, \$1.3 million of funding for the City's Geographic Information System (GIS). There will be a new GIS office created in the Operations and Regulatory Services Department under the City Coordinator. The GIS proposal also includes funding to support positions in the Information Technology Services Department, which were previously funded from the capital program.

Decision Packages (increases to the base budget):

	\$1.3 million	Geographic Information System (Operations)
>	\$1.2 million	Software licensing and software maintenance (transfer to the Internal Service Fund)
>	\$96,000	Clean City initiative
>	\$300,000	Expanded General Fund Contingency (funding for potential security proposals)
>	\$150,000	Choral Symposium (Minneapolis event to be sponsored by the International Federation for Choral Music in August 2002)
>	\$240,000	Welcoming New Arrivals Program
>	\$548,000	Infrastructure Maintenance Gap Closure Program (as submitted by the Public Works Department)

## Transfers

The 2002 General Fund budget includes a \$3.0 million increase in transfer expense to cover payments to the Intergovernmental Services Fund (ITS). The increased payment includes: \$1.2 million to cover operational expenses as outlined in the adopted workout plan for the ITS fund to reduce the "gap" between revenue and expenses; \$1.3 million

for increases in software licenses and maintenance; and \$0.5 million to provide ongoing funding for ITS staff to support GIS.

The 2002 budget includes a \$0.9 million increase in transfer expense from the General Fund to the Self-Insurance Fund to fully cover the debt service payments related to bonds issued in 1995 and 1996 for liability settlements.

#### City of Minneapolis General Fund Financial Plan (in thousands of dollars)

			2001			% Chg			
	1999	2000	Original	2001 *	2002	from	2003	2004	2005
	Actual	Actual	Budget	Projected	Budget	Budget	Forecast	Forecast	Forecast
Operating Revenues:									
Property Taxes	54,658	56,634	63,253	63,253	56,869	-10.1%	56,869	65,332	73,407
Annual Property Tax Increase to Balance Budget**							8,463	8,075	11,059
Subtotal - Property Taxes	54,658	56,634	63,253	63,253	56,869	-10.1%	65,332	73,407	84,466
Local Government Aid	58,057	59,854	62,430	62,430	88,986	42.5%	88,986	88,986	88,986
Homestead Agricultural Credit Aid	15,932	17,566	22,715	22,715					
Subtotal - Shared taxes	73,989	77,420	85,145	85,145	88,986	4.5%	88,986	88,986	88,986
Grants and Other Intergovernmental Revenues	11,649	11,055	5,832	5,832	12,527	114.8%	12,527	12,527	12,527
Franchise Fees	19,679	21,594	19,870	24,500	21,600	8.7%	22,800	23,233	23,675
Licenses and Permits	16,938	19,243	18,562	19,000	19,198	3.4%	18,500	20,350	22,385
Charges for Services	17,917	17,252	14,308	13,438	16,769	17.2%	19,117	21,793	22,033
Fines and Forfeits	5,957	6,742	7,235	7,600	7,235		7,532	7,840	8,162
Special Assessments	2,950	2,766	2,655	2,655	3,040	14.5%	2,700	2,700	2,700
Interest and Working Capital Charges	1,200	2,705	1,195	1,320	1,224	2.4%	1,459	1,461	1,474
Other Miscellaneous Revenues	959	1,199	867	910	945	9.0%	1,000	1,000	1,000
Total Operating Revenues	205,896	216,610	218,922	223,653	228,393	4.3%	239,952	253,297	267,407
Operating Expenditures									
Police	85,198	90,759	90,798	91,200	92,944	2.4%	99,543	106,611	114,180
Fire	36,920	37,634	38,930	39,200	41,634	6.9%	42,883	44,170	45,495
Public Works	38,515	34,744	35,682	37,100	36,304	1.7%	38,028	39,835	41,727
City Coordinator Departments	27,796	29,159	30,986	30,589	33,134	6.9%	34,459	35,838	37,271
City Attorney	3,881	4,080	4,048	4,700	4,355	7.6%	4,760	5,203	5,687
City Clerk	3,843	4,125	4,147	4,050	4,341	4.7%	4,515	4,695	4,883
Health and Family Support	3,563	3,576	3,798	3,320	3,984	4.9%	4,139	4,301	4,469
Other Departments	4,832	6,654	8,384	8,754	8,403	0.2%	8,655	8,915	9,182
Total	204,548	210,731	216,773	218,913	225,099	3.8%	236,983	249,566	262,893
Net Operating Gain/(Loss)	1,348	5,879	2,149	4,740	3,294	53.3%	2,969	3,731	4,514
Non-Operating Revenues/(Expenditures)									
MERF/MFRA/MPRA Pension Exp.	(8,634)	(11,194)							
MERF/MFRA/MPRA Transfer from Retirement Fund	8,634	11,194							
Net Retirement cost in General Fund									
Operating Transfers In	16,250	15,086	16,109	15,727	17,399	8.0%	18,095	18,819	19,572
One-Time Transfer Out to Internal Service Funds			(5,200)	(5,200)					
Transfer Out for Info Tech Operations	(4,307)		(9,316)	(9,316)	(11,368)	22.0%	(11,668)	(11,968)	(12,268)
Transfer Out for Info Tech Debt Service	(3,740)		(3,300)	(3,300)	(4,260)	29.1%	(5,100)	(6,000)	(6,900)
Transfer Out to Debt Reduction Program			(900)	(900)					
Transfer to Bond Redemption					(546)		(546)	(546)	(546)
Transfer Out to Capital for Infrastructure			(1,738)	(1,738)	(738)	-57.5%	(738)	(738)	(738)
Transfer Out to Self Insurance			(1,100)	(1,100)	(1,921)	74.6%	(1,100)	(1,100)	(1,100)
Transfer Out to Other Funds	(5,271)	(11,945)	(1,382)	(1,382)	(1,169)	-15.4%	(1,216)	(1,264)	(1,315)
Non-Departmental Revenue (Expenditure)	2,954		(1,499)	(1,239)	(691)	-53.9%	(660)	(630)	(602)
Total	5,886	3,141	(8,326)	(8,448)	(3,294)	-60.4%	(2,933)	(3,428)	(3,897)
Net Change in Balance	7,234	9,020	(6,177)	(3,708)			38	305	618
Fund Balance/Retained Earnings:									
Beginning Balance	21,765	29,038	38,040	38,040	34,332	-9.7%	34,332	34,370	34,675
Ending Balance***	28,111	38,040	31,863	34,332	34,332	7.7%	34,370	34,675	35,293
Ten Percent Reserve Requirement (10% of following year's budget)	21,883	24,121	23,938	24,579	25,805	7.8%	27,212	28,698	30,266
Amount over (under) Ten Percent Reserve	6,228	13,919	7,925	9,753	8,527	7.6%	7,159	5,977	5,027

<sup>\* 2001</sup> Projected as of Third Quarter

<sup>\*\*</sup> The Annual Property Tax Incease is shown for forecast purposes. The Actual demand for tax will fluctuate depending on changes to expenditure levels and other revenue proposals.

<sup>\*\*\* 1999</sup> ending balance adjusted for reappropriations.

## City of Minneapolis Convention Center Special Revenue Fund

## Background

The Convention Center Special Revenue Fund accounts for the maintenance and operation of the City owned Convention Center and the related sales tax activities. The Minneapolis Convention Center was created as an investment to foster and generate economic growth and vitality by providing facilities and services for conventions, trade shows, exhibits, meetings, cultural, religious, and sporting events, all of which benefit and showcase Minneapolis.

#### **Historical Financial Performance**

The 2000 year-end fund balance for the Convention Center Special Revenue Fund was \$20.4 million. Local taxes support the Convention Center with \$48.4 million being collected in 2000, representing a 7.9% increase over 1999 collections. Approximately \$35 million of revenue was transferred to other funds for convention related debt service obligations (paid from the Bond Redemption Fund and Parking Fund).

The collection amounts for 2000 were as follows:

0.5% Citywide Sales Tax	\$27.4 million
3.0% Entertainment Tax	\$7.1 million
3.0% Downtown Restaurant Tax	\$8.1 million
3.0% Downtown Liquor Tax	\$2.8 million
2.0% Lodging Tax	\$3.0 million
Total Tax Collection	\$48.4 million

Neighborhood Early Learning Centers (NELCS) were funded from sales tax dollars, with special legislative action. The total amount spent was \$7.2 million. The final allocation was awarded to the Little Earth NELC and was included in the 2001 budget.

As shown above, in 2000 the City collected \$7.1 million of entertainment tax. Traditionally this tax has been a funding source to the City's General Fund. In 2000, \$5.5 million of the tax proceeds were transferred to the General Fund and \$1.5 to the Arena Reserve Fund. The Arena Reserve Fund transfer amount represents the estimated amount of entertainment tax generated from Target Center (sports arena) activities.

The Convention Center has traditionally transferred \$950,000 annually to the Convention Center Reserve Fund for major repair or equipment replacement for the Convention Center facility. Due to the age of the building, it is anticipated that the amount of this transfer will increase in future years as specific needs are identified.

## 2002 Budget

#### Revenues

Due to the national tragedy of September 11, 2001, the hospitality industry has been significantly affected. It is anticipated that tax revenues will increase at a lower rate than previous years. Below is a summary of the adopted budget revenue increases for 2002 over 2001 levels. Total tax revenue is projected to increase by 1% or slightly less than \$500,000 from 2001 to 2002. Although the City's lodging tax increased from 2% to 3% mid-year 2001, total lodging tax revenue for next year remains highly uncertain due to the changes in travel activity following September 11. Therefore, only a minimal increase in overall lodging tax is reflected in the 2002 budget.

Summary of Tax Revenues				
(in millions of dollars)	2001 Budget	2001 Budget	% Chg	
0.5% Citywide Sales Tax	\$27.80	\$28.08	1%	
3.0% Entertainment Tax	\$7.00	\$7.07	1%	
3.0% Downtown Restaurant Tax	\$7.80	\$7.88	1%	
3.0% Downtown Liquor Tax	\$2.80	\$2.83	1%	
2.0%/3.0% Lodging Tax <sup>1</sup>	\$2.80	\$2.83	1%	
Total Tax Collection	\$48.20	\$48.69	1%	

<sup>&</sup>lt;sup>1</sup>Effective, July 1, 2001, the State of Minnesota authorized the City of Minneapolis to increase the local lodging tax from 2% to 3%, by raising the maximum tax level. This tax applies to charges at hotels or motels with more than 50 units within the City limit.

As a result of lower than projected revenue growth for the 2002 budget, the Convention Center Fund is projected to have a \$4.9 million loss on a budget basis next year. Long-term this level of annual income loss could not be sustained. If revenue projections do not improve during 2002 and 2003, expenditures will have to be adjusted to fit within the reduced resource level. For financial planning purposes, for years 2003 through 2005 a 3% growth rate was projected for tax revenues.

With the expanded facility scheduled to open to the public in April 2002, the Convention Center annual operating revenues are projected to increase by about 47%. The square footage of the Convention Center's primary revenue producer, exhibit space, will increase by about 71% generating most of the increase.

#### **Expenditures**

In 2001, to prepare for the expanded facility, the Convention Center added 59.8 FTE's mostly as 2001 fourth quarter hires. In 2002, these FTE's are fully funded resulting in a \$1,440,491 base budget increase. Also in 2002, to prepare for the expanded facility, the Convention Center added 13 new FTEs increasing their operating budget by approximately \$641,439, as planned. Total personnel related increases in the Convention Center 2002 operating budget are \$2,081,930.

In 2002, the Convention Center increased its non-personnel budget by \$3,179,365 due to the opening of the expanded facility. While the facility itself is increasing from 800,000 square feet to 1,400,000 square feet for an increase of 75%, the budget increase represents only a 48.5% increase in the other than personnel service operating line items.

To provide adequate financial administrative support of the expanded Convention Center, the Finance department will add 1 FTE in 2002 increasing its personnel service budget by approximately \$42,733.

In 2002, the transfer of revenue to the GMCVA will be reduced by approximately \$142,000 from its 2001 level. This amount includes both a cost of living increase and \$450,000 for the opening celebration of the expanded Convention Center. The reduction is primarily due to cost cutting initiatives by the GMCVA in anticipation of reduced revenue because of the September 11, 2001 national tragedy and its impact on the hospitality industry.

#### Transfers

Total transfers to other funds, budgeted in 2002 at \$40.7 million, approximate their 2001 levels, with the exception of debt service. The debt service numbers will fluctuate from 2001 to 2002 due to the use of funding from a State Grant to pay off debt related to construction of the original Convention Center (does not include debt issued for the expansion).

- General Fund \$6.0 million funded by entertainment tax proceeds, historically a revenue source to the General fund since 1969.
- ➤ Arena Reserve \$0.86 million that portion of the entertainment tax estimated to be from Target Center activities.
- ➤ Convention Center Reserve \$1.0 million for future major Convention Center repairs or replacement.
- Convention Center Debt Service \$23.96 million current year debt service liability for the Convention Center bond issue.
- ➤ ITS Internal Service Fund \$0.06 million funding for current year ITS services provided directly to the Convention Center by the ITS department.
- Self-Insurance Fund \$0.02 million funding for benefits administration in the Human Resources Department.
- Parking Fund \$8.81 million funding for the current year debt service obligation for the Convention Center related parking ramps and facilities.

### Debt Service

At the end of 2001, the outstanding principal debt for the expansion of the convention center will be approximately \$208.4 million. In 2000, for the expansion, \$168 million worth of bonds were issued. An additional \$36.4 million of bonds were issued August 2001. The forecast (financial plan) assumes that debt is restructured into level payments after receipt of \$81 million in grant money in 2002 from the State and a fixed rate is established for all variable rate bonds outstanding.

#### City of Minneapolis Convention Center Special Revenue Fund Financial Plan (in thousands of dollars)

			2001			% Chg			
	1999	2000	Current	2001	2002	From	2003	2004	2005
	Actual	Actual	Budget	Projected	Budget	Budget	Forecast	Forecast	Forecast
Operating Revenues:									
Charges For Services	2,940	2,416	3,008	3,158	4,367	45.2%	4,804	5,044	5,296
Rents	5,067	4,857	5,296	4,652	7,937	49.9%	8,731	9,167	9,626
Other Miscellaneous Operating	1,859	2,100	1,705	1,943	2,448	43.6%	2,693	2,827	2,969
Total	9,866	9,373	10,009	9,753	14,752	47.4%	16,227	17,039	17,890
Operating Expenditures:									
Convention Center Operations	11,157	11,309	13,371	12,077	18,528	38.6%	19,176	19,828	20,503
Finance	233	225	255	248	309	21.2%	320	331	342
Human Resources	48	50	52	52	56	7.7%	58	60	62
Total	11,438	11,584	13,678	12,377	18,893	38.1%	19,554	20,219	20,907
Operating Margin	(1,572)	(2,211)	(3,669)	(2,624)	(4,141)	12.9%	(3,327)	(3,181)	(3,016
Non Onevetina Berrania									
Non-Operating Revenues: Sales Tax	25 600	27 204	27 000	27 200	20 070	1.00/	20 020	20.700	20 600
	25,608	27,391	27,800	27,200	28,078	1.0%	28,920	29,788	30,682
Entertainment Tax	6,596	7,071	7,000	6,600	7,070	1.0%	7,282	7,501	7,726
Restaurant Tax	7,278	8,113	7,800	7,500	7,878	1.0%	8,114	8,358	8,609
Liquor Tax	2,463	2,767	2,800	2,700	2,828	1.0%	2,913	3,000	3,090
Lodging Tax	2,854	2,983	2,800	2,700	2,828	1.0%	2,913	3,000	3,090
Transfer From Convention Center Reserv		713	-	-	-				
Interest	686	1,795	1,146	1,100	1,146	0.0%	1,216	1,252	1,290
Total	45,485	50,833	49,346	47,800	49,828	1.0%	51,358	52,899	54,486
Non-Operating Expenditures:									
Greater Minneapolis Convention & Visitors									
Association	4,494	5,005	6,544	6,544	6,402	-2.2%	6,500	7,000	7,500
Retirement Incentive	14	16	-	-	-			-	-
Neighborhood Early Learning Centers	1,703	1,989	123	123	-	-	-	-	-
Convention Center Completion Project	578	4,043	394	394	91	-76.9%	-	-	-
Avenue of the Arts/Convetion Center									
Related	0	77	0		0		104	104	104
Ongoing Equipment and Improvement	645	1,219	1,351	1,242	1,334	-1.3%	1,100	1,210	1,330
Transfer To General Fund - Entertainment									
Tax	5,781	5,519	5,700	5,753	6,000	5.3%	6,180	6,365	6,556
Transfer To Target Center Reserve	815	1,552	847	847	864	2.0%	881	899	917
Transfer To Convention Center Reserve	950	950	1,047	1,047	1,000	-4.5%	1,155	1,213	1,273
Transfer To Debt Service	17,129	15,761	26,447	16,515	26,032	-1.6%	23,962	23,962	23,962
Transfer To Parking Fund	12,325	11,508	8,757	8,757	8,813	0.6%	8,668	8,682	8,518
Transfer to Information Technology	56	58	61	61	63	3.3%	66	68	71
Transfer to Self Insurance Fund	8	-	19	19	17	-10.5%	17	18	18
Total	44,498	47,697	51,290	41,302	50,616	-1.3%	48,633	49,521	50,250
Net Non-Operating Revenues/Expenditures	987	3,136	(1,944)	6,498	(788)	-59.5%	2,725	3,378	4,237
Net Income	(585)	925	(5,613)	3,874	(4,929)	-12.2%	(602)	197	1,221
Fund Balance/Retained Earnings:									
Beginning Balance	20,031	19,446	20,371	20,371	24,245	19.0%	19,316	18,714	18,912
Ending Balance	19,446	20,371	14,758	24,245	19,316	-20.3%	18,714	18,912	20,132

#### Notes:

As part of the Council approved work-out plan, an advance of \$12.8 million was made to the Intergovenmental Services Fund in 2000. While this did not affect the Convention Center total fund balance, this transaction decreased cash and increased due from other funds.

A State grant for \$3.288 million was received in 2001 and \$81 million will be received in 2002. These grants will be used to reduce the principle of outstanding debt and the amount of transfers to debt service.

2001 Projected as of Second Quarter

# City of Minneapolis Community Development Block Grant Fund 0400

## Background

This fund is used to account for the Federal grants received under the Community Development Block Grant Provision authorized by Title I of the Housing and Community Development Act of 1974. Included in this entitlement are the CDBG, HOME Investment Partnerships Program (HOME), Emergency Shelter Grants Program (ESGP), and Housing Opportunities for Persons with AIDS (HOPWA). Based on its HUD-submitted Consolidated Plan, annual direct grants can be used by the City of Minneapolis to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons.

#### **Historical Financial Performance**

For finance and budgeting purposes the City assumes a draw down of these funds in the year they are allocated. The CDBG fund balance or retained earnings at any given time are temporary to the extent of timing differences between entitlement grant revenue receipts and grant expenditure disbursements.

## Adopted Budget

#### Revenues

Revenues are the entitlement funds drawn from HUD that are budgeted based on the past relationship between national appropriations and local entitlement amounts. Amounts are based on the actions, to date, of the House and the Senate. At the time of this publication, the City's total entitlement for 2002 will be approximately 2.8% less than the previous year based on preliminary information from HUD. The Community Development Block Grant will be approximately \$640,000 less than last year and the HOME and HOPWA awards will increase by approximately \$60,000. The total CDBG reduction from last year can be attributed, at least partially, to the appropriation formula, which includes variable factors, based on the 2000 Census information. The total Federal appropriation is less based on how the Census information affects the HUD formula, which includes population changes among all the cities within the total HUD appropriation. Final award numbers from Congress will not be expected before early next year.

## Expenditures

The City distributes its entitlement funds on an application basis as prepared in the HUD Consolidated Plan - it carries out program activities and awards funds to private, public not-for-profit, and for-profit organizations. No budgeted program increases are expected.

## Debt Service

The CDBG entitlement is obligated over and above the current grant budgets by \$7 million. This amount reflects what the City borrowed against its entitlement to fund the Block E economic development project. As program revenues exceed the budget expenditures these funds will be incrementally applied to the previously obligated \$7 million.

#### City of Minneapolis Community Development Block Grant Financial Plan (in thousands of dollars)

	1999	2000	2001	2002	%	2003	2004	2005
	Actual	Actual	Budget	Budget	Change	Forecast	Forecast	Forecast
Revenues:								
Intergovernmental Revenues	22,902	19,301	22,972	22,335	-2.8%	22,300	22,300	22,300
Interest	493	462						
UDAG recapture	984	859	600	600		600	600	600
Other program income	6		10		-100.0%			
Total	24,385	20,622	23,582	22,935	-2.7%	22,900	22,900	22,900
Expenditures								
Civil Rights	307	304	319	330	3.4%	340	350	361
Grants and Special Projects	511	886	194	225	16.0%	232	239	246
Finance	297	261	452	339	-25.0%	349	360	370
Licenses - Lead Grant Match (from MCDA)	358							
Planning	941	1,047	1,072	1,112	3.7%	1,145	1,180	1,215
Public Works - General Services	266	53	162	160	-1.2%	160	160	160
Inspections - Boarded Buildings	316	116	200	202	1.0%	202	202	202
Health and Family Support - including contracts	3,621	3,703	4,086	3,968	-2.9%	4,008	4,048	4,088
Community Services Programs	1,511	1,650	2,454	2,366	-3.6%	2,366	2,366	2,366
Total	8,128	8,020	8,939	8,702	-2.7%	8,802	8,904	9,008
Net Gain/(Loss)	16,257	12,602	14,643	14,233	-2.8%	14,098	13,996	13,892
Transfers								
Transfers In								
Transfer to capital projects	(250)		(467)	(104)	-77.7%	(250)	(250)	(250)
Transfer to component units	(1,109)	(488)	, ,	, ,		(600)	(600)	(600)
Tranfer to MCDA Special Revenue Funds	(14,272)	(13,067)	(13,565)	(13,529)	-0.3%	(13,529)	(13,529)	(13,529)
Total	(15,631)	(13,555)	(14,032)	(13,633)	-2.8%	(14,379)	(14,379)	(14,379)
Net Change in Balance	626	(953)	610	600	-1.6%	(281)	(383)	(487)
Fund Balance/Retained Earnings:								
Beginning Balance	483	1,109	156	766	391.0%	1,366	1,085	702
Ending Balance	1,109	156	766	1,366	78.3%		702	215

Budgets assume draw down of funds in the same year allocated

The balance in the fund does not include the reservation of \$7 million for the City's Block E loan.

## City of Minneapolis Solid Waste and Recycling

This fund was established in 1994 to account for solid waste collection and disposal/recycling activities for the City. Prior to that time, these activities were accounted for within the City's General Fund. The Solid Waste Division of the Public Works Department provides weekly trash and yard waste pickup, bi-weekly recycling pickup and operates a solid waste transfer station for over 108,000 households. The Solid Waste and Recycling Division is also responsible for "Clean City" activities such as neighborhood clean sweeps, litter and graffiti removal and litter control in business districts. Funding for these activities are provided mainly from sanitation fees and partly from sources such as Hennepin County Grants, recyclable sales, and charges for other services. City crews provide approximately one-half of the solid waste collection service and the other half of the service is provided through a contract with a consortium of companies specializing in waste collection, the contract is under negotiation at the present time, final decisions on the contract may affect future rates and the financial plan for this fund.

#### **Historical Financial Performance**

The overall financial condition of the Solid Waste Fund has begun to improve as a result of annual scheduled rate increases for the sanitation fee. However, operating margin remains inadequate to cover depreciation costs on a budget basis. This will need to be monitored carefully as future replacement of assets that are accounted for in this fund becomes necessary.

The Hennepin County recycling grant continues to decrease at a projected rate of 3% each year based on history, due to a drop in SCORE (Select Committee on Recycling & Environment) disposal fee, and also a decrease in the number of dwelling units in the city.

### 2002 Budget

#### Revenues

Effective May 2000, a \$1.00 per dwelling unit monthly rate increase was put into effect. For years 2001 through 2004, a \$0.75 per dwelling unit monthly increase is planned. This will increase revenues by an average of \$954,000 per year (there is no scheduled increase at this time for 2005). See the rate schedule below for more information. The Hennepin County Recycling Grant is budgeted to decrease in 2002 based on reasons mentioned earlier. Revenue from recycling sales is budgeted to drop in 2002 due to expected softening of the market.

Sanitation Fees - Schedule for Planned Rate Increases (Adopted by the Mayor/City Council, December 2000)									
Effective Date	Effective Date Monthly Increase Average Total % Change from per Dwelling Unit Monthly Rate Prior Year								
01/01/2002	\$0.75	\$18.50	4.2%						
01/01/2003	\$0.75	\$19.25	4.1%						
01/01/2004	\$0.75	\$20.00	3.9%						

## Expenditures

Overall operating expenditures are budgeted to increase by 3% from 2001 to 2002. The 2002 budget does not include an expenditure adjustment relative to the City's contract with Municipal Refuse Incorporated, MRI. This contract is currently under review.

A budget increase of \$240,000 was added to include recycling vehicles that are in the replacement plan. New purchases of recycling vehicles and packers in 2002 may result in greater depreciation in future years.

#### Transfers

A transfer of \$11,363 for Information Technology Services is budgeted in 2002. A transfer of \$10,438 for liability and workers compensation payments to the Self-Insurance Fund is budgeted in 2002. A transfer from the Parking Fund of \$146,000 remains in the budget for Litter Container pick-up for 2002. Last, additional transfer expense was added in 2002 to fund the Solid Waste Funds share of additional information technology costs for software licensing.

#### Debt Service

This fund does not have any associated debt service payments.

#### City of Minneapolis Solid Waste and Recycling Financial Plan (in thousands of dollars)

			2001			% Chg			
	1999	2000	Current	2001	2002	From	2003	2004	2005
	Actual	Actual	Budget	Projected	Budget	Budget	Forecast	Forecast	Forecast
Operating Revenues:									
Sanitation Fees	20.443	21.851	22.529	22.979	23.493	4.3%	24.447	25.401	25.401
Charges For Service	113	371	122	122	120	-1.6%	371	371	371
Recyclable Sales	625	942	640	640	640		620	620	620
Hennepin County Grant	992	964	956	956	937	-2.0%	906	888	870
Total	22,173	24,128	24,247	24,697	25,190	3.9%	26,344	27,280	27,262
Operating Expenses:									
Collection	8,187	6,495	7,750	7,750	8.030	3.6%	8,151	8,273	8,397
Recycling	4,977	2,542	3,004	3,004	3,095	3.0%	3,142	3,189	3,237
Disposal	3,605	5,721	6,380	6,380	6,574	3.0%	6,672	6,772	6,874
Yard Waste	1,713	1,128	1,304	1,304	1,344	3.0%	1,364	1,384	1,405
Large Item/Problem Material	832	1,013	1,030	1,030	1,061	3.0%	1,077	1,093	1,110
Transfer Stations	306	235	484	484	499	3.0%	506	514	521
Administration	-	1,523	1,410	1,410	1,453	3.0%	1,475	1,497	1,519
Customer Service	-	1,759	1,294	1,294	1,333	3.0%	1,353	1,374	1,394
Clean City	543	720	993	993	1,023	3.0%	1,039	1,054	1,070
Equipment	1,407	331	754	754	777	3.0%	789	800	812
Retirement Incentive	7	7							
Finance	196	173	211	211	173	-18.0%	176	178	181
Total	21,773	21,647	24,614	24,614	25,362	3.0%	25,743	26,129	26,521
Operating Margin	400	2,481	(367)	83	(172)	-53.1%	601	1,151	741
Non-Operating Revenues/(Expenses):									
Depreciation	(829)	(646)	(646)	(646)	(646)		(646)	(646)	(646)
Net Transfers In (Out)	(160)	60	89	89	(148)	-266.3%	(148)	(148)	(148)
Net Interest Income (Expense)	(4)								
Gain/(Loss) on Disposal of Fixed Assets	(7)								
Special Assessments	133	133	115	115	115		115	115	115
Total	(867)	(453)	(442)	(442)	(679)	53.6%	(679)	(679)	(679)
Net Income	(467)	2,028	(809)	(359)	(851)	5.2%	(78)	472	62
Cash Flow Analysis:									
Net Income	(467)	2,028	(809)	(359)	(851)	5.2%	(78)	472	62
Depreciation	829	646	646	646	646		676	676	676
Principal on Debt									
Capital Outlay	(851)	(789)	(32)	(32)	(32)		(32)	(32)	(32)
Other Cash Provided by Operating Activities	1,066	224	300	300	1,300	333.3%	872	872	872
Other Non-Operating Cash Flows-Net	(1,601)	(2,358)	(32)	(32)	(32)		(32)	(32)	(32)
Total	(1,024)	(249)	73	523	1,031	1312.2%	1,406	1,956	1,546
Beginning Cash	1,389	365	3,816	3,816	4,339	13.7%	5,642	7,049	9,005
Ending Cash	365	116	3,889	4,339	5,370	1325.9%	7,049	9,005	10,551
Add: Year-end cash loan to other funds <sup>1</sup>	1,475	3,700							
Adjusted Ending Cash <sup>1</sup>	1,840	3,816	3,889	4,339	5,370	38.1%	7,049	9,005	10,551

<sup>&</sup>lt;sup>1</sup> Years 2001 through 2005 assume no interfund loans will be made to Internal Service Funds of the City. However, it is likely that year-end interfund loans will occur, but for presentation purposes are not shown above.

2001 Projected as of Second Quarter

## City of Minneapolis Sewer Rental Fund

This fund accounts for contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. This fund also accounts for storm water management activities including the Combined Sewer Overflow (CSO) program, which separates the remaining storm sewer lines that are connected to sanitary sewer lines. During 1998, the City embarked on a \$72 million, nine-year, flood control program. This program targets specific areas in the City and creates holding ponds and additional storm drains that are designed to mitigate the effects of flash floods. This fund also accounts for the \$4.4 million City wide street sweeping operation.

#### **Historical Financial Performance**

The Sewer Rental Fund has had positive retained earnings experience the last several years. This is due primarily to scheduled rate increases and a decrease in sewage treatment rates charged to the City by the Metropolitan Council Environmental Services. The city has also not experienced the projected 7.5% cost increase due to sewage flow from the MCES. The result of these combined factors has been higher cash balances. The Finance Department and Public Works Department will continue to analyze how it finances future capital construction based on forecasted cash balances. In addition, during 2001 the Grain Belt brewery significantly changed its operation resulting in \$2 million in unanticipated SAC credits to the fund, having a positive impact on the bottom-line for the fund.

#### 2002 Budget

#### Revenues

The Sewer Rental Fund has a projected rate increase of 12 cents for 2002. The rate increase will be used to pay for ongoing operating expenses as well as debt service related to the CSO and flood programs. In addition, the following rate schedule is adopted for 2002-2005. The Mayor and City Council adopted this planned schedule of rate increases (for years 2002-2004) last year as part of the adoption of the 2001 budget. Year 2005 has been added to the schedule.

## Storm Water, Sewer, Flood Mitigation Utility Rate Schedule Mayor and City Council Adopted Plan, as of December 2000

Effective		Total	%
Date	Increase	Rate <sup>1</sup>	Change
2002	.12	3.16	3.9%
2003	.12	3.28	3.8%
2004	.13	3.41	4.0%
2005	.14	3.55	4.1%

<sup>&</sup>lt;sup>1</sup> Rate is based on cost per 100 cubic feet.

## Expenditures

The Sewer Rental Fund has a projected increase in expenses due to sewage flow increases. The flow increases will result from newer, more accurate meters being installed by the Metropolitan Council Environmental Services. In addition, the Sewer Fund has \$50,000 (submitted as a decision package) in additional funding for infrastructure "gap" closure investment.

#### Transfers

The operating transfers are payment for services from the equipment division as well as interest payments for the portion of the Sewer Fund debt service that is paid from the Debt Service Fund versus the Sewer Fund.

#### Debt Service

The debt service payments are primarily for bonds previously sold to finance the Combined Sewer Overflow (CSO) and flood mitigation programs.

#### City of Minneapolis Sewer Rental Fund Financial Plan (in thousands of dollars)

			2001			% Chg			
	1999 Actual	2000 Actual	Current Budget	2001 Projected	2002 Budget	from Budget	2003 Forecast	2004 Forecast	2005 Forecast
Operating Revenues:	Actual	Actual	Duaget	TTOJECIEU	Duuget	Duaget	Torecast	Torecast	Torecast
State Grants		364	480	480	630	31.2%	630	630	630
County Grants		118	171	171	148	-13.5%	148	148	148
Sewage Disposal	48,238	54,722	57,018	57,018	63,709	11.7%	62,841	65,355	68,034
Other Services Provided	970	768	761	761	752	-1.2%	722	722	722
Licenses & Permits	0.0	700	701	701	702	1.270			
Inspection Services	1.685	2.019	1.500	1,500	1.000	-33.3%	1.000	1.000	1.000
Interest	0	2,013	1,500	1,000	1,000	00.070	1,000	1,000	1,000
Total	50,894	57,992	59,930	59,930	66,239	10.5%	65,341	67,855	70,534
On a section Forman differen									
Operating Expenditures	4.000	4.045	0.000	0.000	0.000	00.00/	0.450	0.050	0.050
Sewer Design	1,033	1,615	2,396	2,396	3,066	28.0%	3,158	3,253	3,350
Stormwater Management	440					. ==./			
Street Cleaning		4,462	4,455	4,455	4,877	9.5%	5,023	5,174	5,329
Finance	100	111	116	116	113	-2.6%	123	126	130
Sewer Maintenance	5,741	6,181	6,826	6,826	7,246	6.2%	7,464	7,687	7,918
Met Council Env. Svcs.	29,211	29,027	29,580	29,580	31,658	7.0%	29,580	29,580	29,580
Retirement Incentive	22	24	10.000	40.070	10.000		45.045	4= 000	40.000
Total Departments	36,546	41,420	43,373	43,373	46,960	8.3%	45,347	45,820	46,308
Operating Margin	14,348	16,572	16,557	16,557	19,279	16.4%	19,994	22,035	24,227
Non-Operating Revenues/(Expenditures)	100								
Special Assessments	133	223	118	118	118		118	118	118
Depreciation	(822)	(974)	(974)	(974)	(974)		(974)	(974)	(974)
Net Interest Income (Exp)	(2,279)	(2,612)	(1,873)	(1,873)	(1,873)		(1,614)	(1,594)	(1,536)
Net Transfers in (out)	(2,963)	(2,778)	(2,595)	(2,595)	(1,249)	-51.9%	(2,419)	(2,321)	(2,224)
Other Revenues/(Expenditures) Total	355 (5,576)	782 (5,359)	(5,324)	(5,324)	(3,978)	-25.3%	(4,889)	(4,771)	(4,616)
		,			, , ,		, , ,		, , ,
Net Income	8,772	11,213	11,233	11,233	15,301	36.2%	15,104	17,264	19,611
Cash flow analysis:									
Operating Margin	14,348	16,572	16,557	16,557	16,574	0.1%	19,994	22,035	24,227
(Increase) decrease in accounts receivable	1,950	(153)							
(Increase) decrease in contracts receivable	1,319	1,595	1,426	1,426	1,426				
(Decrease) increase in accounts payable	674	(30)		,					
Interfund loans (paid)/received	(3,000)	(1,750)	4,750	4,750					
(add) Operating transfers-net	(2,963)	(3,744)	(2,595)	(2,595)	(2,315)	-10.8%	(2,499)	(2,570)	(2,643)
(add) Proceeds from bonds	16,477	10,953	10,810	10,810	6,975	-35.5%	2,615	8,805	4,155
(less) Construction of fixed assets	(19,040)	(16,513)	(17,089)	(17,089)	(13,288)	-22.2%	(6,205)	(11,866)	(8,171)
(less) Principal on debt	(6,685)	(11,070)	(11,292)	(11,292)	(6,690)	-40.8%	(6,635)	(6,820)	(6,625)
(add) Contributed capital	(0,000)	3,467	( · · · ,= • = /	(**,===)	(=,===)		(0,000)	(0,000)	(0,000)
(less) Interest paid on bonds	(1,598)	(2,038)	(2,285)	(2,285)	(2,095)	-8.3%	(2,026)	(1,895)	(1,721)
Other non-operating cash flows-net	649	1,662	(=,===)	(=,===)	(424)	0.070	(=,===)	(1,000)	(-,,
Gross cash-flow	2,131	(1,049)	282	282	164	-41.7%	5,243	7,689	9,222
B · · · · O · I	0.40	0.00-	7.5-0	7 5-0	7.000	0.404	44.000	40.000	00.0==
Beginning Cash	6,494	8,625	7,576	7,576	7,808	3.1%	11,023	16,266	23,955
Ending Cash	8,625	7,576	7,858	7,858	11,023	40.3%	16,266	23,955	33,177
Add: Year-end cash loan to other funds <sup>1</sup>	3,000	4,750							
Adjusted Ending Cash <sup>1</sup>	11,625	12,326	7,858	7,858	11,023	40.3%	16,266	23,955	33,177

<sup>&</sup>lt;sup>1</sup> Approximately 50% of ending cash is reserved for capital construction through 2001. Years 2001 through 2005 assume no interfund loans will be made to Internal Service Funds of the City. However, it is likely that year-end interfund loans will occur, but for presentation purposes are not shown above.

<sup>2001</sup> Projected as of Second Quarter

## City of Minneapolis Water Fund

This Fund accounts for the operation and maintenance of a water delivery system for the City and several suburban city customers. The City sells water directly to seven cities including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal and Edina. In 1998, the City began two, five-year programs, the Supervisor Control and Data Acquisition (SCADA) and the Hilltop Reservoir. The SCADA program automates the water control system from one point so that all gates, pumps, monitors, and controls will be in one controlled area. The Hilltop program is a 34 million gallon finished water reservoir.

#### **Historical Financial Performance**

This fund is financially stable. The water retained earnings increased by \$2.4 million in 1999 and by \$7.2 million in 2000. This is due primarily to the timing of scheduled rate increases for major capital improvements-Supervisor Control and Data Acquisition (SCADA) program, Hilltop Reservoir and the Ultra-Filtration program.

Cash balances, which include cash from bond proceeds, for this fund have been increasing due to the delay in capital construction projects. This growth in cash will be reversed when the capital projects are fully implemented as planned.

### 2002 Budget

#### Revenues

The projected rate increases for the following years is to pay for the Debt Service for the capital expenditures for the Supervisor Control and Data Acquisition (SCADA) program, Hilltop reservoir and the Ultra-Filtration program, as well as growth in operating expenditures.

## Water Utility Rate Schedule Mayor and City Council Adopted Plan, as of December 2000

Effective		Total	%
Date	Increase	Rate <sup>1</sup>	Change
2002	.18	1.99	9.9%
2003	.19	2.18	9.5%
2004	.19	2.37	8.7%
2005	.20	2.57	8.4%

<sup>&</sup>lt;sup>1</sup> Rate is based on cost per 100 cubic feet.

## Expenditures

There is an anticipated increase of \$950,000 to the Water Works expenditures for 2002. This is the fourth year of the infrastructure improvement program. In addition, the eight year, \$144 million Ultra-Filtration program started in 2000.

#### Transfers

The transfers represent annual payment for information technical services charges.

### Debt Service

This fund makes debt service payments primarily for bonds sold to finance the Water-Works Capital Construction program, including the Supervisor Control and Data Acquisition (SCADA), the Hilltop Reservoir and the Ultra-Filtration program.

#### City of Minneapolis Water Fund Financial Plan (in thousands of dollars)

			2001			% Chg			
	1999 Actual	2000 Actual	Current Budget	2001 Projected	2002 Budget	from Budget	2003 Forecast	2004 Forecast	2005 Forecast
Operating Revenues:	Actual	Actual	Buuget	Frojecteu	Buuget	Buugei	Forecast	rorecasi	roiecasi
Licenses & permits	2	11	16	16	16		18	19	20
Charges For Services	39.716	46.601	50.266	50,266	57,115	13.6%	60.380	65.175	70.202
Charges For Sales	1,654	1,780	1,590	1,590	1,602	0.8%	1,755	1,894	2,040
Other Misc Revenues	10	32	27	27	27		30	32	34
Total	41,382	48,424	51,899	51,899	58,760	13.2%	62,183	67,120	72,296
Operating Expenditures									
Contribution To Other Funds	718	794	802	802	740	-7.7%	720	710	700
Administration & Permits	635	603	764	655	800	4.7%	828	857	887
Treatment	10,184	10,650	11,699	10,944	11,880	1.5%	12,296	12,726	13,172
Treatment Maintenance	4,818	4,753	5,068	4,924	5,249	3.6%	5,433	5,623	5,820
Distribution	6,364	6,212	6,900	6,500	7,127	3.3%	7,218	7,471	7,732
Major Repairs & Replacement	3,101	6,100	4,731	3,641	5,654	19.5%	6,204	6,954	7,704
Finance	3,868	3,757	4,290	4,290	4,589	7.0%	4,750	4,916	5,088
Retirement Incentive	116	128							
Engineering Design	934	431	640	640	657	2.7%	627	649	672
Total Departments	30,738	33,428	34,894	32,396	36,696	5.2%	38,075	39,906	41,774
Operating Margin	10,644	14,996	17,005	19,503	22,064	29.8%	24,108	27,214	30,522
Non-Operating Revenues/(Expenditures)									
Depreciation	(3,348)	(3,577)	(3,300)	(3,300)	(3,300)		(3,300)	(3,300)	(3,300)
Interest	(2,909)	(3,247)	(2,096)	(2,096)	(2,337)	11.5%	(2,565)	(2,488)	(2,316)
Transfers	(2,750)	(3,076)	(2,573)	(2,573)	(2,476)	-3.8%	(2,735)	(2,735)	(2,735)
Misc Expenses Total	757	2,106	(100)	(100)	(100)	1.8%	(100)	(100)	(100)
rotar	(8,250)	(7,794)	(8,069)	(8,069)	(8,213)	1.8%	(8,700)	(8,623)	(8,451)
Net Income	2,394	7,202	8,936	11,434	13,851	55.0%	15,408	18,592	22,071
Cash flow analysis:									
Operating Margin:	10,644	14,996	17,005	19,503	21,379	25.7%	24,108	27,214	30,522
Change in accounts receivable	280	125							
Change in inventories	(215)	232							
Change in Interfund loans received	4,400								
Change in Special assessment revenue	516	567							
Change in Interfund loans paid	(7,000)	50							
Change in salaries payable	45	50							
Change in accounts payable	(326)	158	(2.725)	(2.725)	(2.476)	-9.5%	(2.725)	(2.725)	(2.725)
Operating transfers-net Proceeds from bonds	(2,750) 14,330	(3,076)	(2,735)	(2,735) 10,491	(2,476) 1,900		(2,735) 22,687	(2,735)	(2,735) 34,740
Construction of fixed assets	(18,184)	10,509 (15,498)	10,491 (17,083)	(17,083)	(7,225)	-81.9% -57.7%	(28,630)	28,323 (36,700)	(42,325)
			, ,				, , ,	,	
Principal paid on bonds <sup>1</sup> Interest	(3,374) 423	(6,091) 742	(9,879)	(9,879)	(9,862)	-0.2%	(10,009)	(7,305)	(4,694)
Interest paid on bonds <sup>1</sup>	(1,832)	(2,281)	(2,403)	(2,403)	(2,745)	14.2%	(2,588)	(2,316)	(2,250)
Other non-operating cash flows-net	(185)	805							
Gross cash-flow	(3,228)	1,238	(4,604)	(2,106)	971	-121.1%	2,833	6,482	13,258
Beginning Cash	11,251	8,023	16,261	16,261	14,155	-12.9%	11,593	14,425	20,907
Ending Cash	8,023	9,261	11,657	14,155	11,593	-0.6%	14,425	20,907	34,165
Add: Year-end cash loan to other funds <sup>3</sup> Adjusted Ending Cash <sup>2</sup>	7,000 15,023	7,000 16,261	11,657	14,155	11,593	-0.6%	14,425	20,907	34,165
Aujusteu Enully Cash	13,023	10,201	11,037	14,133	11,595	-0.0%	14,420	20,507	34,103

<sup>&</sup>lt;sup>1</sup> Debt Service is based on current debt service schedules and does not include debt service for future bond sales.

 $<sup>^{\</sup>rm 2}$  Approximately 55% of ending cash is reserved for capital construction.

<sup>&</sup>lt;sup>3</sup> Years 2001 through 2005 assume no interfund loans will be made to Internal Service Funds of the City. However, it is likely that year-end interfund loans will occur, but for presentation purposes are not shown above.
2001 Projected as of Second Quarter

## City of Minneapolis Municipal Parking

This fund accounts for the operation and maintenance of parking ramps, lots, on-street parking, a municipal impound lot, and traffic/parking control. Major parking related capital construction and development activities also occur in this fund.

#### **Historical Financial Performance**

In recent years actual revenue performance has exceeded the annual forecast. The improved revenue has been attributed to a sound economy and colder than usual weather resulting in greater use of ramps (in cold and snowy weather more people use the ramps).

The Public Works Department has prepared a preliminary business plan for the Parking Fund, which will be finalized with the assistance of the Finance Department. The plan will address strategies for managing and responding to a growing municipal parking system.

The financial condition of the Parking Fund is stable, but it may present a future financial challenge for the City if revenues do not meet forecasted projections. While the Fund currently generates strong positive gross margin, fund operating income is used not only to provide for the replacement and (primarily) expansion of its productive assets (ramps) but is also committed to heavy debt service. The fund carries \$13.75 of debt for each dollar of retained earnings. In addition, besides servicing the debt on its own balance sheet, the fund receives transfers from the Convention Center Special Revenue Fund to pay its share of debt service on Convention Center related parking facilities. Combined, principal and interest payments consume more than 100-percent of cash provided by parking operations leaving the fund dependent upon transfers in from other funds and bond proceeds to generate positive cash flows.

The Finance Department will continue to monitor the financial condition of the fund on a regular basis and inform the Mayor and City Council of any changes in condition.

#### 2002 Budget

#### Revenues

The revenues for 2002 in the operating budget are anticipated to increase by 4.5%, from \$56 to \$59 million. The increase in revenue is due to the following: planned parking rate increases of \$900,000; the addition of revenue from the new 10th & LaSalle Ramp for \$1.8 million; and the addition of revenue from the new Downtown East Ramp for \$544,000. Recent parking rate increases have not had an impact on demand and are not anticipated to impact demand next year.

## Expenditures

The 2002 expenditure budget has increased from \$33 to \$37 million. Wage increases for the operator of the municipal parking ramps (contracted vendor) increased by \$476,000 and utilities for the parking facilities were increased by \$545,000. Budgets were also established for the following new ramps: Downtown East, \$750,000; Hawthorne, \$1 million; and 10th & LaSalle, \$850,000. A decision package related to the parking business plan was approved by the City Council with additional expense of \$332,000 and additional revenue of \$454,000.

#### Transfers

The transfer to the General Fund is proposed to increase from \$10.1 to \$10.5 million based on an inflationary adjustment. Transfers to the Target Center Arena Fund is proposed to increase from \$1.2 million to \$1.3 million based on the revised finance plan approved in 2000. Transfers from other funds for debt service payments for Convention Center related parking facilities increased from \$8.75 million to \$8.81 million. Transfers yet to be determined are from MCDA for Tax Increment and Abatement related to recently completed parking facilities.

#### Debt Service

The debt service payable, including principal and interest, in 2002 is \$23.4 million. The debt service is related to bonds issued for construction of municipal parking ramps, which will continue to grow as new facilities are added to the system. Debt service for 2002 includes bonds issued to cover the cost of condemnation and land and building costs related to the 900 Nicollet block.

#### City of Minneapolis Municipal Parking Fund Financial Plan (in thousands of dollars)

			2001			% Chg			
	1999	2000	Current	2001	2002	from	2003	2004	2005
	Actual	Actual	Budget	Projected	Budget	Budget	Forecast	Forecast	Forecast
Operating Revenues:									
Parking Ramp and Lot Fees	28,604	30,408	33,264	33,264	35,899	7.9%	36,464	37,514	38,594
TAD Ramps	10,293	10,422	10,621	10,621	11,294	6.3%	11,633	11,982	12,341
Future Ramps	, <u> </u>	· -	-	´-	· <u>-</u>		1,704	1,755	1,808
Towing and Impound Lot	4,059	4,342	5,768	5,768	6,250	8.4%	6,250	6,250	6,250
Meters & Other Revenue	4,593	5,108	6,730	6,730	5,914	-12.1%	6,091	6,274	6,462
Total	47,549	50,280	56,383	56,383	59,357	5.3%	62,142	63,775	65,456
Operating Expenses:									
Parking Ramp and Lots	16,828	14,340	18,454	18,454	21,116	14.4%	21,443	22,086	22,748
TAD Ramps	7,163	6,260	6,228	6,228	6,609	6.1%	6,807	7,011	7,222
Towing and Impound Lot	3,572	4,132	3,889	3,889	4,118	5.9%	4,262	4,411	4,566
Transfer Expense									
Meters & Other Revenue	4,469	5,204	4,139	4,139	5,536	33.8%	5,288	5,341	5,395
Total	32,032	29,936	32,710	32,710	37,379 88,115	14.3%	37,800	38,850	39,931
0	45 547	00.044	00.070	00.070		7.00/	04.040	04.005	05.505
Operating Margin	15,517	20,344	23,673	23,673	21,978	-7.2%	24,342	24,925	25,525
Non-Operating Revenues (Expenses):	(4.440)	(4.004)	(4.544)	(4.044)	(4.544)		(4.044)	(4.044)	(4.544)
Depreciation	(4,148)	(4,024)	(4,811)	(4,811)	(4,811)		(4,811)	(4,811)	(4,811)
Net Interest Income (Expense)	(9,906)	(8,592)	(9,756)	(9,756)	(9,560)	-2.0%	(9,111)	(8,887)	(8,887)
Gains (Losses)	(1)	(21)	(21)	(21)	(21)		(21)	(21)	(21)
Net Transfers In (Out)	1,372	569	(2,372)	(2,372)	1,029	-143.4%	(3,566)	(4,137)	(4,759)
Other Total	1,147 (11,536)	638 (11,430)	448 (16,512)	448 (16,512)	749 (12,614)	67.2% -23.6%	448 (17,061)	448 (17,408)	(18,030)
Net Income	3,981	8,914	7,161	7,161	9,364	30.8%	7,281	7,517	7,496
Fund Balance/Retained Earnings:									
TAD System	3,377	6,786	11,179	11,179	15,864	41.9%	20,690	25,660	30,779
City System	7,652	13,157	15,925	15,925	15,931	0.0%	18,387	20,933	23,309
Beginning Balance	7,048	11,029	19,943	19,943	27,104	35.9%	31,795	39,076	46,593
Ending Balance	11,029	19,943	27,104	27,104	36,468	34.5%	39,076	46,593	54,088
Cash Flow									
Prinicipal paid on bonds	(25,849)	(7,709)	(31,329)	(31,329)	(9,396)	-70.0%	(10,579)	(13,044)	(13,839)
Interest paid on bonds	(9,209)	(9,843)	(9,956)	(9,956)	(13,845)	39.1%	(13,305)	(12,880)	(12,181)
Other Capital related financing	19,081	23,218	-	-			-	-	-
Adjustments to reconcile Operating income to									
cash	(1,800)	1,569	(531)	(531)	(531)		(531)	(531)	(531)
Gross cash-flow	(17,777)	7,235	(41,816)	(41,816)	(23,772)	-43.2%	(24,415)	(26,455)	(26,551)
Beginning Cash	30,671	28,411	62,995	62,995	44,852	-28.8%	42,744	42,671	41,141
Ending Cash	28,411	55,990	44,852	44,852	42,744	-4.7%	42,671	41,141	40,115
Add: Year-end cash loan to other funds <sup>1</sup>	7,000	7,005							
Adjusted Ending Cash <sup>1</sup>	35,411	62,995							
Less: Construction cash and cash equiv.	(20,199)	(42,484)	(28,680)	(28,680)	(30,000)	4.6%	(30,000)	(30,000)	(30,000)
Adjusted Ending Cash and Cash Equivalent <sup>1</sup>	8,212	13,506	16,172	16,172	12,744	-21.2%	12,671	11,141	10,115

<sup>&</sup>lt;sup>1</sup> Years 2001 through 2005 assume no interfund loans will be made to Internal Service Funds of the City. However, it is likely that year-end interfund loans will occur, but for presentation purposes are not shown above.

<sup>2001</sup> Projected as of Second Quarter

## City of Minneapolis Self-Insurance Fund

The Self-Insurance Fund is used to account for employee medical, dental, and life insurance benefit programs and the programs' administrative costs. The fund also accounts for occupational health services, severance payments to employees who have retired or resigned and who meet minimum eligibility requirements, a tort liability program, and a workers' compensation program.

#### **Historical Financial Performance**

The retained earnings of the Self-Insurance Fund reflected a negative retained earnings balance of \$49.4 million at year-end 2000, as compared to \$32.3 million the year prior. The majority of this negative balance is due to the required accounting recognition of liability claims that have occurred but are not reported.

In 2000, the negative retained earnings balance increased by \$17.1 million due to two major factors. The first was a \$8.75 million settlement in which bonds were issued to pay off a legal judgement. The second was a \$7.7 million accounting adjustment to "unpaid claims" liability due to the financial results of a recent actuarial study.

The Finance Department will present the Mayor and City Council with a financial strategy to address the negative retained earnings balance during 2002. Beginning with the adoption of the 2002 budget, expenditures and revenues will be in balance on an annual basis, therefore, preventing further decline in the retained earnings.

#### 2002 Budget

## Revenues/Expenditures

Medical and Life programs are fully contracted-out so that revenues and expenses should be equal at year-end as premiums are determined by and paid to the contractors. For 2001, the City has contracted with Blue Cross Blue Shield as the health insurance carrier. The Dental and Minneflex program premiums are estimated, and actual costs are expensed.

The Unused Sick Leave Program provides a payout of unused sick leave to qualified employees at 50% pay. Payments are funded by 0.7% gross pay contributions from the City, Park Board, and Library Board into a severance pool. The rate for City Police Officers and Firefighters is 1.1% of gross pay. This program was reviewed for compliance with IRS guidelines and modified for year 2002.

The Alternative Dispute Resolution (ADR) Program was established through funds collected through payroll deductions and direct payment as agreed to in previous labor contracts. Occupational Health actual expenses are billed to departments.

The Workers Compensation expenditures have increased from \$7.9 million in 2000 budget to \$8.2 million in 2002, or a 3.8% increase, due to general increased operating costs associated with administering the program.

The Liability Program expenditures were significantly higher in 2000 than anticipated due to an \$8.75 million legal settlement for which bonds were issued to finance the payout. The 2002 base budget already includes funding for the \$1.1 million in annual debt service that is required to service this debt for the next 10 years. In addition, operating revenue forecast reflects an adjustment to rates charged to user departments to fund the estimated annual cost of liability settlements and workers compensation program.

During 2002, the Finance Department, working in cooperation with the City Attorney's Office, plans to develop a new model for allocating workers compensation and general liability expense to City departments. This may cause certain departments to experience an increase in expense for the 2003 budget, while other departments will have a decrease in expense. However, the total revenue generated by the rate charged to user departments should remain fairly constant and sufficient to cover annual expenditures.

#### Debt Service

The adopted budget includes full funding for debt service payments on \$4.0 million in bonds issued in 1995 and \$1.0 million in bonds issued in 1996 to fund existing and potential liability settlements. These are variable rate and will have outstanding balances at the end of 2001 of \$1.2 and \$0.3 million, respectively. Both are to mature in 2003. In addition, the budget includes the \$1.1 million of funding for debt service on the settlement bonds issued during 2000.

#### City of Minneapolis Self-Insurance Fund Financial Plan (in thousands of dollars)

			2001	2001		% Chq			
	1999 Actual	2000 Actual	Current Budget	Projected Year-End	2002 Budget	from Budget	2003 Forecast	2004 Forecast	2005 Forecast
Operating Revenues:									
Alternative Dispute Resolution	25	0	208	208	34	-83.5%	35	36	37
Benefits Administration	247	103	589	571	555	-5.9%	569	583	597
Dental	2,559	2,551	2,950	2,626	2,950		3,024	3,099	3,177
Health Insurance	23,457	24,812	25,181	26,602	29,646	17.7%	30,387	31,147	31,925
Liability	5,659	5,415	5,412	5,585	7,269	34.3%	7,451	7,637	7,828
Life Insurance	991	973	1,103	990	1,132	2.6%	1,160	1,189	1,219
Minneflex	1.249	1.296	1,150	761	1,150		1,179	1,208	1,238
Occupational Health Services	332	250	325	296	325		333	341	350
Attorney		227	200	261	300	50.0%	308	315	323
Finance		250	2	14	000	00.070	000	0.0	020
Retirement Incentive	703	760	_						
Severance Pool	1,809	1,888	1,500	1,984	1,500		1,538	1,576	1,615
Worker's Compensation	7,031	8,582	7,519	8,279	8,188	8.9%	8,393	8,603	8,818
Total	44,063	47,107	46,140	48,177	53,049	15.0%	54,375	55,735	57,128
Operating Expenses:									
Alternative Dispute Resolution	57	29	209	20	34	-83.5%	35	36	37
Benefits Administration	377	462	515	664	557	8.1%	571	585	599
Dental	2,491	2,550	3,040	2,787	2,950	-3.0%	3,024	3,099	3,177
Health Insurance	23,145	24,124	25,181	25,992	29,646	17.7%	30,387	31,147	31,925
Liability	10,961	19,269	3,315	3,315	3,054	-7.9%	3,131	3,209	3,289
Life Insurance	1,302	1,362	1,243	1,130	1,132	-9.0%	1,160	1,189	1,219
Minneflex	1,203	1,488	1,150	684	1,150	0.070	1,179	1,208	1,238
Occupational Health Services	407	1,400	333	312	333		342	350	359
Finance/Risk Management	407	1,252	1,172	1,098	183	-84.4%	187	192	197
Retirement Incentive	708	768	61	61	100	04.470	107	102	137
Attorney-Civil Division	700	3,952	4,129	4,252	4,332	4.9%	4,440	4,551	4,665
Severance Pool	1,403	1,575	5,120	5,120	1,500	-70.7%	1,538	1,576	1,615
Worker's Compensation	6,991	6,536	6,900	6,649	8,158	18.2%	8,362	8,571	8,786
Total	49,046	63,369	52,369	52,085	53,029	1.3%	54,355	55,714	57,107
Net Operating Gain/(Loss)	(4,984)	(16,262)	(6,229)	(3,908)	20	-100.3%	20	21	21
Non-Operating Revenues/(Expenditures)									
Debt Service- Liability	(773)	(1,168)	(1,643)	(1,386)	(2,044)	24.4%	(2,095)	(2,147)	(2,201)
Transfers	(113)	300	1,336	1,100	2,104	57.4%	2,156	2,210	2,266
Total	(773)	(869)	(307)	(286)	60	-119.6%	62	63	65
Net Change in Balance	(5,756)	(17,130)	(6,536)	(4,194)	80	-101.2%	82	84	86
	(0,. 30)	(,.50)	(3,530)	( ., . 3 1)	30		32	31	30
Fund Balance/Retained Earnings: Beginning Balance	(26,560)	(32,316)	(49,446)	(49,446)	(53,641)	8.5%	(53,561)	(53,479)	(53,395)
Ending Balance	(32,316)	(49,446)	(55,982)	(53,641)	(53,561)	-4.3%	(53,479)	(53,395)	(53,309)
Beginning Cash	1.148	(2,863)	(4,203)	(4,203)	(8,397)	99.8%	(8,318)	(8,236)	(8,152)
Change in Cash	(4,011)	(1,340)	(6,536)	(4,194)	80	-101.2%	82	84	86
Ending Cash	(2,863)	(4,203)	(10,739)	(8,397)		-22.5%		(8,152)	(8,066)
Enuling Casif	(2,003)	(4,203)	(10,739)	(0,397)	(0,318)	-22.5%	(0,∠36)	(0,102)	(0,000)

## City of Minneapolis Permanent Improvement Equipment Fund

## Background

The Equipment fund is an Internal Service Fund. The Equipment fund rents vehicles and other equipment to other City departments. For example, it provides police vehicles, fire trucks, heavy-construction equipment, snowplows, and other maintenance equipment to city departments. In addition, the Fund provides drivers and operators for equipment as necessary.

The fund accounts for the ownership and operation of a fleet of approximately 1,200 vehicles and other pieces of motorized equipment; 400 vehicle accessories (such as plow blades). In 1995, the *net book value* (historical cost less accumulated depreciation) of the fund's investment in equipment was \$6.7 million. Because of a fleet modernization effort in recent years, the net book value of the fund's investment in equipment increased to \$17.7 million by year-end 2000. The cost to replace the City's entire fleet would be about \$68 million in 2001 dollars.

#### **Historical Financial Performance**

Since 1995, the Fund has had insufficient revenues to fund both its operational and capital costs. Because expenditures exceeded available revenue for the last several years, the retained earnings balance has declined from \$10.7 million in 1995 to a negative \$6.0 million at the end of 2000. The fund is significantly (\$16.7 million) less economically healthy now then it was in 1995. In addition, to negative earnings, the fund has been spending more cash than it has been taking in. Therefore, the cash balance of this fund has also been declining. At the end of 2000, the fund had a negative cash balance of \$17.8 million; a further reduction of \$2.1 million from 1999's negative balance of \$15.7 million.

## 2002 Budget

In May 2001 the City's Finance and Public Works departments jointly developed a workout plan for the fund. The plan calls for issuing debt annually through 2006 to bridge the time needed to gradually increase rates to a level sufficient to cover both the operating expenses and capital investments of the fund. Over the short-run the workout bond proceeds are the most important factor in eliminating the fund's cash deficit. For the years through 2006, the fund annually generates two to three times as much cash from debt as from operations.

The 2002 and subsequent budgets essentially represent an update of the workout plan based on current conditions and assumptions. The original plan called for eliminating the retained earnings deficit by the end of 2001 and eliminating the cash deficit by 2006. Currently fund performance is adhering closely to plan. Due to unexpectedly high

rentals for large capital projects in 2001, the fund is projected to surpass the original workout plan goals.

#### Revenue

Beginning with the 2000 budget, the City began to increase the revenue for this fund. The 2001 budget included an additional \$1.0 million in revenue from the General Fund. The 2002 recommended budget will increase the payment by another \$2.0 million. The incremental increase in revenues is an important step toward correcting the fund's ongoing annual deficits.

The City's goal is to make the fund self-sufficient. In future years, the City will model the revenue needs of the fund based on long-term projections of capital replacement and operational expense and set rental rates accordingly. In addition to paying for current costs, fund revenues will also have to be adequate to cover the debt service on the workout bonds.

## Expenditures

With the exception of volatile fuel prices and increased usage of contractual repairs 2002 expenditures are expected to be similar to 2000 and 2001 levels. The fleet replacement funding of \$6.1 million for 2002 falls about \$2.0 million (25%) short of the modeled replacement needs. However, the 2002 investment is a significant step in an aggressive fleet modernization plan made possible by the workout debt program. Fleet modernization should result in significant reductions in repair and maintenance expenses. In addition, fleet modernization should contribute to increased earnings by increasing the overall availability of the fund's productive assets and therefore fees paid to rent those assets. The Council approved two decision packages in this fund. One funded additional contractual repair of \$584,000. The other funded 6 additional operators and 4 additional drivers due to major projects like Light Rail Transit and Near North Redevelopment.

#### Debt Service

Beginning with the 2001 Budget, the City began a plan of issuing bonds to finance equipment replacement within this fund. Approximately \$6.0 to \$7.2 million will be issued annually between 2001 and 2008. At the end of 2008, if the assumptions in the financial workout plan hold, the fund will be positioned to pay for annual equipment replacement with cash versus bond proceeds.

#### City of Minneapolis Equipment Services Fund Financial Plan

	1999	2000	2001	2001	2002	% Change	2003	2004	2005
	Actual (1)	Actual	Budget	Projected	Budget	2001 vs 2002	Forecast	Forecast	Forecast
Operating Revenues:						Budget			
Charges for Service	\$ 229.900	\$ 331.352	\$ 177.625	\$ 371.000	\$ 431,200	142.76%	\$ 446,292	\$ 461.912	\$ 478.079
Charges for Sales	1,819,185	2,454,047	3,002,500	3,218,000	3,435,500	14.42%	3,487,033	3,539,338	3,592,428
Rents Public Works and Other	17,716,442	19,987,607	17,334,414	21,142,000	18,288,914	5.51%	19,203,364	20,736,836	22,306,206
Rents Police	1,480,341			2,427,000	3,495,774	2.01%	4,065,689	4,647,003	4,739,943
		2,427,234	3,427,000	, ,	, ,				
Rents Fire	1,187,501	1,187,501	1,187,501	2,197,500	3,211,251	170.42%	3,775,476	4,350,986	4,438,005
Other Misc Revenues  Total Operating Revenues	135,354 22,568,722	554,149 26,941,890	412,000 25,541,040	560,000 29,915,500	315,000 29.177.639	-23.54% 14.24%	602,417 31,580,271	602,417 34,338,492	602,417 36,157,079
	22,000,722	20,041,000	20,041,040	20,010,000	20,111,000	14.2470	01,000,271	04,000,402	00,107,070
Operating Expenditures:	44.054.400	44.040.570	40 000 000	45 004 000	45 005 040	0.000/	47 550 770	40.474.004	40.040.400
Personnel	14,351,186	14,640,576	16,022,903	15,381,000	15,865,646	-0.98%	17,559,772	18,174,364	18,810,466
Contractual Services	3,496,052	4,307,740	3,401,003	5,218,545	3,594,635	5.69%	5,271,991	5,351,071	5,431,337
Opertating Budget	3,748,192	3,417,024	3,804,250	4,314,850	4,518,694	18.78%	4,177,549	4,240,212	4,303,816
Equipment (Tools)	154,882	102,280	169,500	41,500	165,000	-2.65%	617,628	626,892	636,295
Equipment (Fleet)	4,780,337	2,878,092	6,528,045	6,650,000	6,100,000	-6.56%	6,200,000	6,300,000	6,400,000
Capital		64,376		25,000					
Transfers	49,150	268,546	59,031	77,631	61,787	4.67%	77,631	77,631	77,631
Total Operating Expenditures	26,579,798	25,678,634	29,984,732	31,708,526	30,305,762	1.07%	33,904,571	34,770,170	35,659,545
Net Operating Gain/(Loss)	(4,011,075)	1,263,256	(4,443,692)	(1,793,026)	(1,128,123)	74.61%	(2,324,300)	(431,678)	497,533
Non-Operating Revenues/(Expenditures):									
Interest	598	184	1,000	1,000	500	-50.00%	500	500	500
Gains on disposals	256.918				200.000				200.000
Operating Transfers In	,	138,100	275,000	275,000	200,000	-27.27%	200,000	200,000	200,000
, ,	8,895,033	104,967	0.000.000	0.000.000	0.400.000	4.070/	0.000.000	0.000.000	0.400.000
Work out equipment bonds			6,000,000	6,000,000	6,100,000	1.67%	6,200,000	6,300,000	6,400,000
Debt Servce Work out Bonds				(127,500)	(320,000)		(2,260,000)	(2,997,500)	(3,715,000)
Workout Tsf from Genl Fund			5,200,000	5,200,000					
Debt Service (Bond Facilities & Equip)	(507,232)	(818,990)	(1,173,955)	(1,173,955)	(1,038,750)	-11.52%	(1,056,500)	(1,152,250)	(1,143,750)
Debt Service (working capital 8520)	(785,942)	(746,767)							
Retirement Incentive Costs	(121,722)	(141,670)							
Capital Facilities	(9,000,000)								
Non operating Income (Expense)	(854,453)	(2,979,577)	(906,500)	(906,500)		-100.00%			
Total Non-operating Rev. (Exp.)	(2,116,799)	(4,443,753)	9,395,545	9,268,045	4,941,750	-47.40%	3,084,000	2,350,750	1,741,750
Net Change in Cash	(6,127,875)	(3,180,497)	4,951,853	7,475,019	3,813,627	-22.99%	759,700	1,919,072	2,239,283
Adjustments for Petrined Forniers									
Adjustments for Retained Earnings:	(4.400.450)	(4.470.450)	(4.500.000)	(4.074.000)	(4.004.057)	7.470/	(5.004.054)	(5.040.050)	(5.007.007)
Depreciation	(4,120,458)	(4,170,452)	(4,560,822)	(4,674,662)	(4,901,657)		(5,284,851)	(5,613,259)	(5,897,867)
Purchases	4,784,728	2,925,370	6,122,300	6,691,500	6,265,000	2.33%	6,817,628	6,926,892	7,036,295
Total adjustments to reconcile Cash to Retained Earnings	664,270	(1 245 001)	1 561 470	2,016,838	1,363,343	-187.31%	1,532,776	1 212 622	1,138,429
Retained Earnings	004,270	(1,245,081)	1,561,478	2,010,030	1,303,343	-107.3176	1,332,770	1,313,633	1,130,429
Net Change in Retained Earnings	(5,463,605)	(4,425,579)	6,513,331	9,491,857	5,176,970	-20.52%	2,292,477	3,232,704	3,377,712
Beginning Retained Earnings Balance	2,460,000	(1,932,923)	(6,238,501)	(6,238,501)	474,830	-107.61%	5,651,800	8,871,277	12,665,981
Capital Contrib from Facilities Fund - addback radio	0								
shop net income	1,070,682	120,000	200,000	200,000			927,000	562,000	567,000
Ending Retained Earnings Balance	(1,932,923)	(6,238,501)	474,830	3,453,356	5,651,800	1090.28%	8,871,277	12,665,981	16,610,693
Cash:									
Beginning Cash	(11,159,996)	(15,708,411)	(16,692,157)	(16,692,157)	(11,201,390)	-32.89%	(7,387,763)	(5,701,062)	(3,219,990)
Change in Cash	(6,127,875)	(3,180,497)	4,951,853	7,475,019	3,813,627	-22.99%	759,700	1,919,072	2,239,283
Change in Entity - addback radio shop cash	1,579,460	2,196,751	538,914	538,914	1		927,000	562,000	567,000
Ending Cash	(15,708,411)	(16,692,157)	(11,201,390)	(8,678,224)	(7,387,763)	-34.05%	(5,701,062)	(3,219,990)	(413,707)
·	,,,	, , ,	. , . , , , , ,	(-,,)	. , , ,		(-, - ,)	(-, -,,,)	( -,,

<sup>(1)</sup> adjusted to remove results of operation of Radio Shop which has been reclassified as part of the Property Services Fund

<sup>(2)</sup> Operating effect of change in reporting entity. Effectively adds back the results of Radio Shop because work-out plan assumes net radio shop income as contribution to recapitalization of the Equipment fund.

# City of Minneapolis Intergovernmental Services Fund

This fund is used to account for information and technology services, central mailing and printing services, and telecommunications operations.

The Mayor and City Council approved a financial workout plan for the Intergovernmental Services Fund in September 2000 to resolve both the annual operating deficit and accumulated cash deficits for this fund. The adopted plan calls for a positive operating margin by 2003 and positive cash balance for the fund by 2008. The major strategies involve reducing operating expenditures, increasing revenue through adjusted user rates, and restructuring debt service payments to match projected cash flows.

#### **Historical Financial Performance**

The Intergovernmental Services Fund is and has been a financially challenged fund. Retained earnings and cash balance has been steadily decreasing over the last several years due to inadequate revenue recovery as well as unanticipated expenditures for Y2K. The retained earnings balance for the fund has decreased from a negative \$1.2 million at year-end 1997 to a negative \$13.5 million at year-end 2000. This trend will be reversed under the workout plan, if the assumptions hold and the plan is adhered to.

The 2002 Budget meets the financial goals of the adopted workout plan as scheduled.

#### 2002 Budget

The table below provides a comparison of the cash projections included in the adopted workout plan for the Intergovernmental Services Fund as compared to cash projections in the current financial plan based on the 2002 Budget.

(in thousands of dollars)	2000 Actual	2001 Projected	2002 Budget	2003 Forecast	2004 Forecast	2005 Forecast
Ending Cash Balance:						
Adopted Workout Plan	(\$12,915)	(\$15,784)	(\$16,187)	(\$15,272)	(\$15,411)	(\$16,726)
Current Financial Plan	(\$12,147)	(\$14,416)	(\$14,695)	(\$13,829)	(\$14,069)	(\$15,535)
Variance	\$768	\$1,368	\$1,492	\$1,443	\$1,342	\$1,191

The major reason for the improved cash balance, both actual and forecasted, is due to greater than anticipated revenue from the Proprietary Funds and Special Revenue Funds to cover the cost of requested information technology services. Also, charges for technology moves/add/changes related to office space has generated more revenue than anticipated in 2001.

#### Revenues

The revenue included in the 2002 budget meets all commitments in the adopted workout plan for this fund.

The workout plan calls for a \$1.2 million increase in revenue for 2002, and the same average annual increase for years 2003-2008, to move towards fully funding the cost of providing information technology services.

All City funds, except the General Fund, that receive services and capital funding from Information Technology Services Department (ITS) are scheduled to provide pay-as-you-go funding. Besides these transfers, the City Clerk will continue to charge the full cost of providing central mailing and printing services to City departments.

#### Expenses

Expenses in the Intergovernmental Services Fund are comprised of the operating expenses (i.e., salaries/benefits, contractual, operating, and equipment) of ITS, City Clerk, and Finance. Capital expenditures for information technology investments are budgeted in the City's Permanent Improvement Fund and not in the Intergovernmental Services Fund. However, the associated debt service is an expense to the Intergovernmental Services Fund.

As planned in the adopted workout plan, the 2002 base budget reflects a \$1.5 million reduction in professional service expense due to the conversion of contractors to full time City employees. The cost of paying a contractor is significantly higher than the cost of a City employee.

Although the planned \$1.5 million in savings will be realized due to eliminating contract position, there was an unanticipated increase in expenditures above the workout plan (approximately \$1.5 million) related to increases in the cost of software licenses (Oracle and Microsoft Licenses) and other software maintenance agreements. To ensure the bottom-line operating margin that was reflected in the adopted workout plan was maintained, the revenue to the fund was increased by an offsetting amount. The source of the revenue was an increase in payments from other City funds. The General Fund supported the majority of the increase. The finance plan has been amended to reflect the additional expenditures and corresponding revenue.

#### Transfers

Transfers are made to Permanent Improvement Fund (Capital) and to the Debt Service Fund as further described below.

#### Debt Service

As planned, \$16.4 million of outstanding debt was converted to fixed rate in 2001, which extend the final pay-off year from 2005 to 2012. This strategy allowed the City to redirect \$2.7 million of resources, that were previously dedicated to pay off debt, towards funding the operating costs of ITS. When principal payments come due beginning in 2009, the user rates will have been fully adjusted to provide sufficient revenue to meet all debt obligations. Outstanding fixed rate debt principal of \$21.3 million will be paid off as scheduled by 2006.

#### City of Minneapolis Intergovernmental Services Fund Financial Plan (in thousands of dollars)

			2001			% Chg			
	1999	2000	Current	2001	2002	From 2001	2003	2004	2005
	Actual	Actual	Budget	Projected	Budget	Budget	Forecast	Forecast	Forecast
Operating Revenues:									
City Clerk	1,494	1,347	1,466	1,466	1,627	11.0%	1,551	1,610	1,672
IT Charges for Service	1,934	1,547	1,452	1,650	1,495	2.9%	1,556	1,618	1,683
Transfer from General Fund	4,307	5,768	9,316	10,416	11,341	21.7%	11,641	12,107	12,591
Transfer from MCDA	-	-	19	19	19	4.0%	20	21	22
Transfer from Special Revenue	68	166	165	165	180	8.8%	178	186	193
Transfer from Component Unit	13	94	123	123	128	4.0%	134	139	144
Transfer from Internal Serv	67	597	364	364	389	6.7%	394	410	426
Transfer from Enterprise	2.031	3,192	2,571	2,409	2,587	0.6%	2,691	2,798	2,910
Transfer from Capital	5	1,068	153	153	178	16.4%	166	172	179
Transfer from Grants	· ·	.,000	.00	.00	110	, .			
Total	9,919	13,780	15,630	16,766	18,055	15.5%	18,330	19,061	19,821
Operating Expenses:									
City Clerk - Mailing/Copy Center	1,287	1,171	1,362	1,360	1,564	14.8%	1,486	1,545	1,607
Finance Support	108	103	1,302	1,300	1,304	-1.8%	1,400	153	1,007
Information Tech Operations	12,557	13,588	15,437	16,600	16,472	6.7%	17,131	17,816	18,528
Total	13,952	14,863	16,942	18,090	18,176	7.3%	18,763	19,514	20,294
Net Operating Gain/(Loss)	(4,033)	(1,083)	(1,313)	(1,324)	(121)	-90.7%	(433)	(453)	(474)
Non-Operating Revenues/(Expenditures)									
Transfer from General Fund	4.448	4,448	3,300	3,300	4,200	27.3%	5.100	6,000	6,900
Internal Working Capital Charge	(412)	.,	0,000	0,000	.,200	2.1070	3,.33	0,000	0,000
Transfer to Internal Service Fund	(4)	(6)	(6)	(6)	(7)	30.3%	(6)	(6)	(6)
Transfer to Capital ('98 FISCOL Upgrade)	(525)	(525)	(525)	(525)	(420)		(-)	(-)	(-,
Debt Service - Transfer	(5,077)	(6,323)	(3,714)	(3,714)	(3,931)		(3,795)	(5,782)	(7,886)
Total	(1,571)	(2,405)	(945)	(945)	(158)	-83.3%	1,300	212	(992)
Net Change in Balance	(5,604)	(3,488)	(2,257)	(2,269)	(280)	-87.6%	867	(241)	(1,466)
					551				
Fund Balance/Retained Earnings:	(4.000)	(4.000)	(0.007)	(0.007)	(40.435)	00.50/	(40.455)	(44.500)	(44.000)
Beginning Balance	(4,023)	(4,023)	(9,627)	(9,627)	(12,175)		(12,455)	(11,588)	(11,829)
Ending Balance	(9,627)	(9,627)	(11,884)	(11,896)	(12,455)	4.8%	(11,588)	(11,829)	(13,294)
Beginning Cash	(3,422)	(8,969)	(12,147)	(12,147)	(14,416)		(14,695)	(13,829)	(14,069)
Change in Cash	(5,604)	(3,178)	(2,257)	(2,269)	(280)	-87.6%	867	(241)	(1,466)
Ending Cash <sup>1</sup>	(8,969)	(12,147)	(14,404)	(14,416)	(14,695)	2.0%	(13,829)	(14,069)	(15,535)

<sup>&</sup>lt;sup>1</sup> Beginning with year-end 2000 financial close, the negative cash balance for this fund is to be covered through an interfund advance from the Convention Center Fund. At year-end 2000, an advance of \$12.1 million was made to this fund. The advance is anticipated to increase to \$14.4 million at the end of 2001, which is \$1.3 million less than anticipated in the adopted workout plan for this fund.

2001 Projected as of Second Quarter

# City of Minneapolis Engineering Materials and Testing Fund

This fund is used to account for the operation of the City's asphalt plant and paving products laboratory. The paving products laboratory provides in-lab and on-site testing and soil boring services to ensure quality control of asphalt and soils for projects.

#### **Historical Financial Information**

Each spring the asphalt plant establishes their product prices based on the estimated demand that year. The past two years actual production has been significantly lower than original estimates creating a negative impact on the fund balance. Much of the expenses associated with the creation of the products have been avoided by not purchasing the raw materials, but the fixed costs of the plant are not being recouped.

Starting in 2001, the product price was based on 85% of the forecasted projects; this adjustment will better price the product for the year. Operation revenues for 1999 was \$2.5 million, a \$0.5 million decrease from 1998. Operation expenditures in 1999 were \$2.7 million, a \$0.4 million reduction from 1998. For 2000, revenues were up and the fund was on track to have a positive income for the year; however, late in the year there was Council approved action to increase the transfer to the Intergovernmental Services Fund by \$128,000 to cover this funds share of the technology service needs for the Public Works Department.

The Engineering Materials and Testing Fund had retained earnings of \$1.7 million at 2000 year-end of which \$1.0 million was reserved for renewal and replacement of the asphalt plant.

To eliminate the \$1.2 million cash deficit that existed at 2000 year-end for this fund, future asphalt product prices will need to include an additional charge to recover prior year losses. If this additional charge is not implemented in the rate structure, the fund will not be able to return to a positive cash position. Other City funds have historically provided inter-fund loans at year-end to cover year-end cash deficits for this fund.

#### 2002 Budget

#### Revenues

Revenues for this fund are based on the anticipated projects, and associated expenditures, for the year. There has been no change in revenue forecasts from the prior budget year. However, as mentioned this year a new estimating approach will need to be implemented in order to begin to provide a breakeven operation.

#### Expenditures

The expenditures within the Asphalt plant are based on 95,000 tons of asphalt production. This cost of production is based on raw material expenses, which includes petroleum products. As it has been seen recently, pricing of petroleum products is volatile. The only adjustments to expenditure budgets were in the area of Finance Department support and the cost of the laboratory. In total operating expenditures increased by 2.2%.

#### Transfers

The only internal transfer for this fund is \$12,000 to the Intergovernmental Services Fund for information technology services support.

#### Debt Service

This fund does not have long-term debt.

#### City of Minneapolis Engineering Material and Testing Financial Plan (in Thousands of Dollars)

			2001						
	1999	2000	Current	2001	2002	%	2003	2004	2005
	Actual	Actual	Budget	Projected	Budget	Change	Forecast	Forecast	Forecast
Operating Revenues:									
Asphalt Sales	1,420	2,697	2,556	2,000	2,556	0.0%	3,264	3,348	3,434
Engineering Lab	1,045	921	1,083	520	1,083		1,126	1,171	1,218
Total	2,465	3,618	3,639	2,520	3,639	0.0%	4,390	4,519	4,652
Operating Expenditures:									
Asphalt Plant	1,646	2,419	2,402	2,300	2,410	0.3%	2,495	2,543	2,592
Laboratory Expenses	937	932	1,032	700	1,063	2.9%	1,094	1,126	1,159
Finance	89	90	99	96	139	40.4%	145	150	156
Retirement Incentive	8	9	-	-	-		-	-	-
Total	2,680	3,451	3,534	3,096	3,612	2.2%	3,733	3,819	3,907
Operating Margin	(215)	167	106	(576)	27	-74.0%	657	700	745
Non-Operating Revenues/(Expenditures) :									
Depreciation	(95)	(94)	(94)	(94)	(94)		(94)	(94)	(94
Transfers	(6)	(139)	(11)	(7)	(12)	9.0%	(11)	(12)	(12
Other	40	46	-	-	-		-	-	-
Total	(61)	(187)	(105)	(101)	(106)	0.9%	(106)	(106)	(106
Net Income	(276)	(20)	0	(677)	(79)		551	594	639
Retained Earnings:									
Beginning Balance	2,018	1,742	1,722	1,722	1,045	-39.3%	966	1,517	2,112
Ending Balance	1,742	1,722	1,722	1,045	966	-43.9%	1,517	2,112	2,750
Cash Balance <sup>1</sup> :									
Beginning Cash	1,339	(1,009)	(1,283)	(1,283)	(1,866)	45.4%	(1,851)	(1,205)	(517

<sup>&</sup>lt;sup>1</sup> Beginning with year-end 1999, the Engineering Material and Testing Fund has needed an interfund loan to cover a negative cash balance. This negative cash balance will need to be eliminated through increasing the Asphalt rate to a level sufficient to cover prior year deficit spending.

2001 Projected as of Second Quarter

# City of Minneapolis Property Services Fund

#### Background

This fund accounts for the physical management and maintenance of fire stations, police precinct buildings, the Public Service Center, Parking Ramps, and various other office locations. It also accounts for the coordination and management of special projects. Beginning in 2002, Parking Ramp Maintenance and the Radio Shop operations will be accounted for in this fund. This aligns operations along the lines of Public Works recent reorganization.

#### **Historical Financial Performance**

The proposed building rental rates are based on a three-year actual expenditure average. In 1998 and 1999 rates had not been adjusted to fully cover the expenditures in this fund. Rates had been adjusted in 2000 to cover expenditures except for the mid-year Council action to increase the transfer to the Intergovernmental Services fund by \$150,000 to fund Public Works' information technology service expenditures.

At year-end 1999 and 2000, the fund had operating losses of \$558,000 and \$103,000, respectively. The fund has a deficit in retained earnings of \$2.0 million. Revenues are expected to exceed expenditures in 2001. Future rate increases will need to be assessed in order to eliminate past deficit spending.

#### 2002 Budget

#### Revenues

The Financial Plans for the Property Services and Equipment Funds have been restated to show the effect of the Radio Shop operations being transferred from the Equipment fund. This was done to properly reflect the change to the Equipment Services Funds financial work out plan. The Ramp Maintenance operations are properly being reclassed to an Internal Service Fund from a Capital Fund and were not included in the restatement.

Prior to the Financial Plan being re-stated, the revenues from 2001 to 2002 in the operating budget are anticipated to increase by 89.1%, from \$5.4 million to \$10.1 million. This increase comes from two sources. The first source is the Parking Ramp maintenance operations being moved from Transportation Capital to the Property Services Fund. The second source is moving the Radio Shop operations to the Property Services Fund, which aligns to the City's management's areas of responsibility. The Radio Shop also occupies the same building where the Facility Management personnel are located.

#### Expenditures

Due to additional revenue indicated above operating expenditures are expected to increase by 84.1% or \$4.8 million, which represents a 5% lower increase than expected in revenues. Aligning operations in this fund to the Administration staff that supports the various operations will aid in gaining efficiencies also.

#### Transfers to Other Funds

The only transfers associated with this fund are an annual charge for Human Resources and Intergovernmental Services support.

#### City of Minneapolis Property Services Fund Financial Plan (in thousands of dollars)

	1000	2000	2001	2004	2002	% Chg	2002	2004	2005
	1999 Actual	2000 Actual	Current Budget	2001 Projected	2002 Budget	from 2001 Budget	2003 Forecast	2004 Forecast	2005 Forecast
Operating Revenues:									
Radio Shop	2,454	2,490	2,615	2,309	2,758	5.5%	2,819	2,904	2,991
Municipal Market	35	53	50	50	50		55	56	58
Property Services Maintenance	4,308	5,434	4,969	5,306	5,122	3.1%	5,634	5,420	5,588
Ramp Maintenance	.,	-,	.,	-,	1,900	,.	1,957	2,016	2,076
Project Management			368	368	400	8.6%	438	437	451
Total	6,797	7,977	8,002	8,033	10,230	27.8%	10,903	10,833	11,164
Operating Expenditures:									
Retirement Incentive	13	10							
Radio Shop	1,384	2,370	2,415	2,109	2,128	-11.9%	2,170	2,213	2,257
Municipal Market	22	34	23	23	10	-56.2%	10	10	10
Property Services Maintenance	4,745	5,194	4,875	4,847	5,285	8.4%	5,299	5,459	5,625
Ramp Maintenance	4,745	3,134	4,073	4,047	1,900	0.470	1,929	1,957	1,987
Project Management Office			459	383	405	-11.8%	418	432	446
Finance	120	108	93	93	98	6.2%	102	106	110
Total	6,284	7,716	7,864	7,454	9,826	24.9%	9,927	10,177	10,435
Net Operating Gain/(Loss)	512	261	138	579	404	193.5%	976	656	729
Non-Operating Revenues/(Expenditures): Debt Service					(72)				
					· /				
Capital Outlay					(6,426)				
Bond Proceeds					6,426	<b>50.00</b> /			
Interest Expense	(42)	(54)	(47)	(47)	(22)	-53.2%	(22)	(22)	(22)
Gain/(Loss)	(16)	(12)				000 50/			
Transfers Total	(22)	(178) (244)	(29) (76)	(30)	86	-392.5% -89.5%	(27) (49)	(27) (49)	(27)
	()	(= : :)	()	(**)	(=)		(12)	(12)	(12)
Net Income (loss)	432	17	61	502	396 311	546.9%	927	606	680
Retained Earnings:					85				
Beginning Balance	(1,332)	(1,970)	(2,073)	(2,073)	(1,771)	-14.6%	(1,376)	(1,376)	(1,331)
Capital Contrib. To Equip Svc fund	(1,070)	(120)	(200)	(200)	, , ,		(927)	(562)	(567)
Ending Balance	(1,970)	(2,073)	(2,212)	(1,771)	(1,376)	-37.8%	(1,376)	(1,331)	(1,218)
Cash flow analysis									
Net Operating Income (loss)	512	261	138	579	404	193.5%	976	656	729
Depreciation	31	24	24	24	24		24	24	24
Other	333	2,564	350	350			400	400	400
Interfund loans paid	(1,135)	(1,950)	(1,545)	(1,669)	(1,352)	-12.5%	(1,394)	(1,432)	(1,426)
Interfund loans received	1,950	1,545	1,669	1,352	1,394	-16.5%	1,432	1,426	1,351
Other	(64)	(232)	(76)	(77)	(8)	-89.5%	(49)	(49)	(49)
Net Cash flows provided (used) by capital	(34)	(26)	(20)	(20)	(462)	2210.0%	(462)	(462)	(462)
Net increase (decrease) in cash and cash equiva	1,594	2,186	539	539	0	-100.0%	927	562	567
Beginning Cash	-	14	3	-	( , ,	-43791.7%	(1,352)	(1,352)	(1,352)
Change in Cash	1,594	2,186	539	539	0	-100.0%	927	562	567
Ending Cash	1,594	2,200	542	539	(1,352)	-349.4%	(425)	(790)	(785)
Change in Equity to Equipment (Radio Shop)	(1,579)	(2,197)	(539)	(539)			(927)	(562)	(567)
	(4.050)	(4 5 45)	(4.000)	(4.050)					
Less: Interfund loan (no actual cash received)	(1,950)	(1,545)	(1,669)	(1,352)					

2001 Projected as of Second Quarter

MCDA	
FIVE-YEAR COMMUNITY DEVELOPMENT PLAN	
2002 – 2006	

**November 2001** 

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- 4. Neighborhood Revitalization Program
- 5. Community Development Levy
- 6. Categorical Set-Asides Community Development Levy
- 7. Categorical Set-Asides Other Revenues
- 8. Five-year Plan
- 9. Other Community Development Resources
- 10. Exhibit A Common Project Tax Increment Districts
- 11. Exhibit B Non-Common Project Tax Increment Districts
- 12. Exhibit C Five-year Plan

#### Introduction

Preparation of the Five-year Redevelopment Plan (the "Plan") was a requirement of Chapter 421 (Tax Increment Refunding Ordinance.) The purpose of the Plan was to establish priorities and general parameters by tax increment (TI) district within the Common Project for the utilization of the districts' available funds. City redevelopment goals, objectives and policies were used to establish project priorities. The parameters and priorities were reviewed annually and represented a framework within which specific projects must fit.

With the repeal of Chapter 421, the Plan is no longer required. The Agency intends to continue to prepare and submit a 5-Year Community Development Plan (the "5-Year Plan") that not only reports on the status of the Common Project but also includes the status and proposed programmatic uses for Chapter 595 levy revenues, the development accounts and all TI districts. The 5-Year Plan is intended to be a financial planning document. Any recommendation you may have on how to improve its usefulness is appreciated.

#### **Common Project TI Revenue**

Property tax reform adopted by the 2001 Legislature has greatly impacted the tax increment revenue to be generated from TI districts within the Common Project. Attached as Exhibit B is a schedule showing the anticipated tax increment revenue expected to be generated from each TI district within the Common Project from 2002 through 2006.

Tax increment revenue is first applied to the payment of debt service on outstanding bonds. The following table shows the estimated total tax increment revenues expected to be generated from within the Common Project, assuming a \$6,000,000 Community Development Levy, and the total debt service that must be paid from those revenues.

(000's)	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net Tax Increment Revenue	60,040 56.864	60,213	59,258 60.382	58,923	59,177 62.149
Less: Debt Service Payments Tax Increment Revenue Shortfall	3,176	<u>59,824</u> 389	( 1,124)	<u>60,044</u> ( 1,121)	( 2,972)

The shortfall in tax increment revenue for payment of debt service will be paid from existing tax increment reserves. The Legislature amended the Tax Increment Act to allow the Agency to pool its tax increment revenues in order to pay debt service on outstanding bonds. The Agency will be examining the use of this option and all other options provided by the Legislature in order to pay its outstanding debt.

#### Other TI Revenue

Attached as Exhibit C is a schedule showing the anticipated tax increment revenue expected to be generated from each TI district located outside the Common Project from 2002 through 2006.

Generally, the Agency's obligations in these districts are through payments on pay-as-you-go notes to developers, although some bonded indebtedness has been incurred with respect to some specific districts. Except for TI districts located in the Southeast Minneapolis Industrial Area (SEMI), these districts are non-poolable, stand-alone districts.

State law prevents us from using any unobligated tax increment revenue from these districts to finance program costs of the Agency, any available tax increment revenue may be pooled, under certain circumstances, to pay debt service on outstanding debt issued for projects within or outside the Common Project. While it is anticipated that these TI districts will be self-supporting, we do not expect any tax increment revenue will be available from these districts to pay debt service on other outstanding bonds.

The following table shows the total tax increment revenue expected to be generated from TI districts located outside the Common Project from 2002 through 2006, assuming a \$6,000,000 Community Development Levy.

(000's)	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net Tax Increment Revenue	4,606	4,675	4,745	4,817	4,889

#### **Development Accounts**

The Development Accounts consist of two components, the Development Account and the Neighborhood Development Account.

The Development Account, established in January 1983, has historically provided a flexible and efficient source of short-term financing for a variety of City-wide Agency activities. Increasingly, Development Account monies have been used to fund a wide variety of grant activities, from affordable housing initiatives to commercial corridor revitalization. The Development Account is capitalized with non-tax increment revenues generated from within TI districts, including certain land sale proceeds, parking and rental income, and developer recapture fees.

The Neighborhood Development Account was established as a depository for recycled federal Urban Development Action Grant (UDAG) repayments, which are subject to federal regulation and must be segregated and reallocated to support community economic development initiatives. Many of the Agency's

small business loan programs, as well as several neighborhood commercial projects, are supported by the Neighborhood Development Account.

The table below shows the total anticipated revenues expected to be available in the Development Accounts from 2002 through 2006. In accordance with an agreement between the Agency and the holder of the letter of credit relating to bonds issued through the Agency's Common Bond Fund, the balance of the Development Account must be maintained at \$3,000,000.

(000's)	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Development Accounts Revenue	36,405	7,310	8,511	7,116	6,771
Less: Common Bond Fund Reserve	3,000	0	0	0	0
Available Revenue	33,405	7,310	8,511	7,116	6,771

The significant increase in revenues in 2002 reflects the repayment assumptions of certain loans. The loan repayments are intended to either be met or renegotiated in a way that supports the proposed use of the funds in the Development Account at the level anticipated by the City Finance Officer and all policy makers. Revenues also reflect proceeds from the sale of the Hilton Hotel, which are expected to be expended between 2002 and 2009.

## **Neighborhood Revitalization Program (NRP)**

While the 2002 Budget Framework calls for funding Phase II of the NRP at an annual level of \$10 million, the Community Development/NRP Work Group has included a scenario for funding Phase II at \$11 million annually. The first year of Phase II (2001) was capitalized at \$20 million. After the NRP meets its 2001 Phase II needs, administrative costs, Phase II planning and other obligations, approximately \$8.5 million of 2001 capitalization is available to carry forward to future years. The following table shows the funding for NRP from 2002 through 2006. New capitalization will be provided from a combination of interest earnings, development account funds, reserve balances and TI revenue (if available.)

We recommend the immediate release of \$4 million of NRP dedicated to affordable housing for that purpose. This reduces the available carryover to \$4.5 million which would be dispersed as shown.

(000's)	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
2001 Carry-Over Funding	4,500	0	0	0	0
Interest Earnings	3,272	2,184	1,522	1,015	561
New Capitalization from Agency	<u>3,228</u>	<u>8,816</u>	<u>9,478</u>	<u>9,985</u>	<u>10,439</u>
Total Funding	11,000	11,000	11,000	11,000	11,000

## **Community Development (Chapter 595) Levy**

2002 is the first year since 1978 that the Agency has requested a special levy under Chapter 595. The purpose of the levy is to fund those programs that are jeopardized due to the shortfall in tax increment revenues and that the Agency believes comprise the minimal community development investment necessary to support the City's goals. Revenues derived from a Chapter 595 levy can be used by the MCDA programmatically or to support, in a somewhat restricted way, the NRP. The 2002 Budget Framework calls for a Community Development Levy of \$6,000,000 and sets out priorities on the programs to be financed with those revenues. In addition, a supplemental decision package has been prepared to increase the Community Development Levy from \$6,000,000 to \$12,000,000.

The following table sets out programs recommended for funding from a \$6,000,000 Community Development Levy in 2002, the additional programs and funding which would be available if the supplemental decision package is adopted, and the ranking of the programs contained in the supplemental decision package. Exhibit A projects these recommendations through 2006. No more than 20 percent of the revenues in each category will be used for program implementation and administration.

2002	Mayor's	Supplemental	Annual Total
	Priorities	Decision Package	
Multifamily Rental	1,000,000	600,000 (6)	1,600,000
Single Family Ownership	1,000,000	500,000 (7)	1,500,000
MILES	1,500,000	1,000,000 (4)	2,500,000
Commercial Corridors & Nodes	1,200,000		1,200,000
Small Business Finance	1,300,000		1,300,000
Rehab Support Program		500,000 (5)	500,000
Mortgage Foreclosure		250,000 (3)	250,000
Preliminary Planning Fund		1,000,000 (1)	1,000,000
Project Gap Filler		2,000,000 (2)	2,000,000
Neighborhood Initiative Program		150,000 (8)	150,000
Total	6,000,000	6,000,000	12,000,000

# Categorical Set-asides – Community Development Levy

The following is a description of each of the categorical set-asides contained in the priorities list for which funding will be provided from the Community Development Levy:

**Multifamily Rental Housing** projects are carried out pursuant to the City's affordable housing policy and the MCDA's Multifamily Rental and Cooperative Program guidelines. The MCDA provides funding for new construction and rehabilitation of affordable and mixed-income rental housing from a variety of funding sources. Large family and supportive housing for homeless and special needs populations are given priority for funding. Half of the funding is set aside for projects located in non-impacted areas of the city. At this time, \$11.2 million is committed to affordable housing projects in process.

The Community Development Levy provides for \$1,000,000 in funding and the supplemental levy request provides for an additional \$600,000.

**Single Family Home Ownership** consists of two programs: Home Ownership Works (HOW) and GMMHC Century Homes. <u>HOW</u> program acquires and renovates vacant and distressed residential properties, which are sold to low income households. Typically 20 to 25 properties are sold each year. The program receives federal HOME funds (\$810,000 per year), Development Account funds (\$300,000 per year) and NRP funds (\$2 million per year, repaid with sale proceeds and HOME funds).

<u>GMMHC Century Homes</u> is a citywide program through which MCDA-owned land is sold to the Greater Minneapolis Metropolitan Housing Corporation (GMMHC) for construction of new single-family homes to be sold at market rate for owner-occupancy. MCDA funds are matched by funds raised by GMMHC. In some instances, neighborhoods contribute NRP funds to match MCDA funds or to add amenities not normally included with the home. Program expenditures over the past three years have averaged \$600,000 per year.

The Community Development Levy provides for \$1,000,000 in funding for single family homeownership and the supplemental levy request provides for an additional \$500,000.

Minneapolis Industrial Land and Employment Strategy (MILES) provides funds for acquisition and preparation of sites for job-producing industrial development. Sites within the North Washington Industrial Park (NWIP), Southeast Minneapolis Industrial Area (SEMI) and Seward South have been developed through MILES program assistance. During the last three years (1998 through 2000), annual program expenditures have averaged \$2.2 million.

The Community Development Levy provides for \$1,500,000 in funding and the supplemental levy request provides for an additional \$1,000,000.

Commercial Corridors funding assists economic development efforts within the 10 commercial corridors identified in the Minneapolis Plan. The program provides a match for Local Initiatives Support Corporation's (LISC) Commercial Corridor Revitalization Project on Central Avenue and West Broadway. NRP funds from neighborhoods along Central Avenue are also being leveraged for improvements to commercial buildings. Rehabilitation of the Coliseum building at 2700 East Lake Street is another example of use of Commercial Corridors funds. During 2000, Commercial Corridors expenditures were \$805,750. The current allocation to Commercial Corridors is \$1 million per year.

The Community Development Levy provides for \$1,200,000 in funding.

**Small Business Finance** consists of Entrepreneurs Fund/Micro Loans, the Two-Percent Revolving Loan Fund and Working Capital Loan Guaranties. <u>Entrepreneurs Fund/Micro Loans</u> are very small loans provided to neighborhood start-up businesses, many of which are home-based. More than 70 percent of the loans go to minority-owned businesses. Recent examples are loans to A. Riveria, a Latino storefront business on Central Avenue (Audubon Park) and McDonald Cleaning Services (Minnehaha). Program expenditures during the past three years averaged \$154,000 per year.

<u>Two-Percent Revolving Loan Fund</u> provides financing in partnership with private lenders for businesses that are renovating their facilities or purchasing production equipment. Businesses receiving loans restore and reuse commercial property, provide employment opportunities, and provide needed neighborhood services. Projects range in size from \$10,000 to about \$100,000. Recent recipients of Two-Percent loans include Dimensions in Hair (Near North), Maria's (Phillips) and It's Greek to Me (Whittier). In cases such as

Plymouth Avenue Studio and Dunn Bros. Coffee in Elliot Park, Two-Percent loans supplemented NRP loan and grant funds. There are six NRP/Two-Percent Cooperative Loan programs designed to coordinate NRP and MCDA loan programs. Through these programs, MCDA provides underwriting, origination and servicing functions on behalf of the neighborhood so as not to duplicate but rather enhance loan options to neighborhood businesses. During the past three years, average Two-Percent Revolving Loan Fund expenditures per year have been \$1.2 million. Private investment leveraged during the same period averaged \$3 million per year.

Working Capital Loan Guaranties help start-up and emerging businesses access private loan capital to finance their growth. The program has helped 275 neighborhood-based businesses access \$10.4 million in private capital. Businesses assisted through the program include B.T. McElrath, a candy manufacturing company (Como); Pickle Products, a greeting card manufacturing company (Logan Park); Action Telecom (Hiawatha); and Village Hair within Nokomis Village, a key area identified for revitalization under the Nokomis East NRP plan. Program expenditures during the past three years averaged \$582,000 per year.

The Community Development Levy provides for \$1,300,000 in funding.

**Rehab Support Program** provides MCDA funds to match homeowners' investments toward the completion of value-added improvements to their homes. Many borrowers use NRP funds for all or part of their match. In addition to Common Project TIF/Development Account funds, CDBG and MHFA funds are used for the program. Program expenditures over the past three years averaged \$350,000 per year.

The supplemental levy request provides for \$500,000 in funding.

**Mortgage Foreclosure Prevention Program** provides counseling and emergency financial assistance for homeowners to prevent mortgage foreclosure. The program is administered by the Homeownership Center, Twin Cities Habitat for Humanity and Northside Residents Redevelopment Council. Over 1,000 foreclosures have been prevented. Program expenditures over the past three years have averaged \$250,000 per year.

The supplemental levy request provides for \$250,000 in funding.

**Preliminary Planning Fund (PPF)** was established in 1982 to fund initial planning and feasibility studies of proposed projects prior to the adoption of a redevelopment plan or project budget. Among the current uses of PPF are Hiawatha LRT planning, Grain Belt Library, St. Andrew's Golf Academy and Guthrie Theater. PPF activities coordinated with NRP include West Broadway Commercial Corridor and 29<sup>th</sup> Street Corridor. Budgeted amounts for PPF averaged \$2.7 million per year over the past three years.

The supplemental levy request provides for \$1,000,000 in funding.

**Project Gap Filler** is the practice of providing funds to cover shortfalls in projects meeting public purposes and City goals for which no other resources are available. Examples of current projects that could not have gone forward without gap funding are Grain Belt, East Village, Portland Place and Humboldt Greenway. Although it is not possible to predict with confidence future demand for gap funding, the MCDA 10 Year Resource Outlook prepared in July 2001 estimated that \$12.5 million over the next 10 years would provide some ability to respond to project funding shortfalls.

The supplemental levy request provides for \$2,000,000 in funding.

**Neighborhood Initiatives Program (NIP)** provides a funding source for early development expenses for projects and activities that are not appropriate for funding through the Preliminary Planning Fund or other MCDA funding sources. Uses of NIP funds include Bryant Neighborhood 38<sup>th</sup> Street Enhancements, Minneapolis Center for Neighborhoods Commercial Corridors Initiative, Webber-Camden, and Humboldt Industrial Area Planning. Annual allocation in the first two years of the program was \$150,000. It is fully subscribed.

The supplemental levy request provides for \$150,000 in funding.

#### Categorical Set-asides – Other Revenues

One set-aside identified in prior 5-year plans has a remaining TIF balance:

**Transit-Oriented Development (TOD) Program** funds in the amount of \$4 million have been set aside under direction of the City Council to assist transit-oriented development projects within one-quarter mile of transit stations along the Hiawatha Light Rail Transit (LRT) Corridor within the City of Minneapolis. To date, \$1.15 million in TOD program resources has been allocated for redevelopment infrastructure and LRT station enhancements at Franklin Avenue, Lake Street, 46<sup>th</sup> Street and other locations.

#### **Five-Year Plan**

Attached as Exhibit A is a matrix which models sources and uses of funds for the next five years for the Community Development Levy, both Development Accounts and the Common Project.

There are two levy models for 2002 which assume either a \$6 million or \$12 million starting point. The \$6 million model assumes \$1 million in growth through 2006. The \$12 million model assumes 5 percent growth. As the model shows, these inflators create annual net balances which can be used to support NRP, offset program inflationary costs or fund new programs. These decisions would be made as a part of the annual budget process.

As a reference, we have also included the sources and uses of funds with respect to CDBG Funds, other Federal Grants and State Grants. These grants supplement activities and programs undertaken in the Agency's Community Development Program.

#### Other Community Development resources

This document has focused on TIF/Common Project and Community Development levy issues, however we want to acknowledge the wider range of ongoing MCDA activities. These include:

- The variety of programs supported by MHFA
- Business Finance bond programs such as Industrial Revenue Bonds and those supported by the Common Bond Fund
- SBA 504 Loan Programs
- Housing Revenue Bonds, Mortgage Revenue Bonds, and other housing funding mechanisms
- Freestanding pay-as-you-go TIF districts used for projects such as East Bank Village, Bottineau Common, Grain Belt, Thymes and others.

## **EXHIBIT A**

# COMMUNITY DEVELOPMENT PROGRAM - FIVE-YEAR PROJECTION

		2002	2003	2004	2005	2006	Total
Community	Development Levy (\$6,000,000)						
	Revenue	6,000,000	7,000,000	8,000,000	9,000,000	10,000,000	40,000,000
	Uses Multifamily Rental Single Family Ownership MILES Commercial Corridors Small Business Finance	1,000,000 1,000,000 1,500,000 1,200,000 1,300,000	1,000,000 1,000,000 1,500,000 1,200,000 1,300,000	1,000,000 1,000,000 1,500,000 1,200,000 1,300,000	1,000,000 1,000,000 1,500,000 1,200,000 1,300,000	1,000,000 1,000,000 1,500,000 1,200,000 1,300,000	5,000,000 5,000,000 7,500,000 6,000,000 6,500,000
	Total Uses	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	30,000,000
	NET*	0	1,000,000	2,000,000	3,000,000	4,000,000	10,000,000
Community	Development Levy (\$12,000,000)						
	Revenue	12,000,000	12,600,000	13,230,000	13,891,500	14,586,075	66,307,575
	Uses Multifamily Rental Single Family Ownership MILES Commercial Corridors Small Business Finance Rehab Support Program Mortgage Foreclosure Preliminary Planning Neighborhood Initiative Program Project Gap Filler  Total Uses*  NET* gible for use for NRP with some rest	1,600,000 1,500,000 2,500,000 1,200,000 500,000 250,000 1,000,000 150,000 2,000,000	1,600,000 1,500,000 2,500,000 1,200,000 500,000 250,000 1,000,000 150,000 2,000,000	1,600,000 1,500,000 2,500,000 1,200,000 500,000 250,000 1,000,000 150,000 2,000,000 12,000,000	1,600,000 1,500,000 2,500,000 1,200,000 500,000 250,000 1,000,000 150,000 2,000,000 12,000,000	1,600,000 1,500,000 2,500,000 1,200,000 500,000 250,000 1,000,000 150,000 2,000,000 12,000,000 2,586,075	8,000,000 7,500,000 12,500,000 6,000,000 2,500,000 1,250,000 5,000,000 750,000 10,000,000 60,000,000
	Revenue Forwarded Balance	36,404,653	7,309,706	8,510,816	7,116,057	6,771,172	66,112,404
	Total Revenue	0 36,404,653	29,037,084 36,346,790	26,390,680 34,901,496	24,283,493 31,399,550	20,274,177 27,045,349	- 66,112,404
	Uses Transfer to NRP NRP Implementation Common Bond Fund Reserve	3,227,642 1,139,927 3,000,000	8,816,183 1,139,927 0	9,478,076 1,139,927 0	9,985,446 1,139,927 0	10,438,624 1,139,927 0	41,945,971 5,699,635 3,000,000
	Total Uses	7,367,569	9,956,110	10,618,003	11,125,373	11,578,551	50,645,606
	NET	29,037,084	26,390,680	24,283,493	20,274,177	15,466,798	15,466,798

Tax Increment/Common Project						
Net Revenue	60,039,693	60,212,601	59,257,717	58,923,330	59,176,632	297,609,973
Uses						
TI Administration	3,008,874	3,008,874	3,008,874	3,008,874	3,008,874	15,044,370
Transfer to Debt Service	56,863,736	59,824,339	60,382,254	60,043,715	62,149,314	299,263,358
Total Uses	59,872,610	62,833,213	63,391,128	63,052,589	65,158,188	314,307,728
NET	167,083	(2,620,612)	(4,133,411)	(4,129,259)	(5,981,556)	(16,697,755)
Federal CDBG Grant						
Revenue						
Grants	9,458,000	9,458,000	9,458,000	9,458,000	9,458,000	47,290,000
Program Income	457,000	457,000	457,000	457,000	457,000	2,285,000
Total Resources	9,915,000	9,915,000	9,915,000	9,915,000	9,915,000	49,575,000
Uses						
Vacant Housing	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	18,500,000
GMMHC	638,000	638,000	638,000	638,000	638,000	3,190,000
Multifamily Housing	2,701,175	2,701,175	2,701,175	2,701,175	2,701,175	13,505,875
Rehab Support Program	601,825	601,825	601,825	601,825	601,825	3,009,125
Loan & Grant	1,384,000	1,384,000	1,384,000	1,384,000	1,384,000	6,920,000
NCEDF	405,000	405,000	405,000	405,000	405,000	2,025,000
Business Assoc. Asst	50,000	50,000	50,000	50,000	50,000	250,000
Program Admin	30,000	30,000	30,000	30,000	30,000	150,000
MCDA CDBG Admin	50,000	50,000	50,000	50,000	50,000	250,000
Citizen Participation	355,000	355,000	355,000	355,000	355,000	1,775,000
Total Uses	9,915,000	9,915,000	9,915,000	9,915,000	9,915,000	49,575,000
NET	0	0	0	0	0	0
Other Federal Grants						
Revenue	3,914,674	3,914,674	3,914,674	3,914,674	3,914,674	19,573,370
Uses						
HOME Single Family	1,091,074	1,091,074	1,091,074	1,091,074	1,091,074	5,455,370
HOME Multi Family	2,225,600	2,225,600	2,225,600	2,225,600	2,225,600	11,128,000
Emergency Shelter	598,000	598,000	598,000	598,000	598,000	2,990,000
Total Uses	3,914,674	3,914,674	3,914,674	3,914,674	3,914,674	19,573,370
NET	0	0	0	0	0	0
State Grants - Estimated						
Revenue	3,703,594	11,303,594	3,803,594	2,603,594	2,603,594	24,017,970
Uses						
Pollution/Acquicition Ind/Comm	2 602 504	2 602 504	2 602 504	2 602 504	2 602 504	12 017 070

Pollution/Acquisition - Ind/Comm

Near North Hollman Grants

**Total Uses** 

NET

2,603,594

1,100,000 8,700,000

3,703,594 11,303,594

0

2,603,594

0

2,603,594

1,200,000

3,803,594

0

2,603,594

2,603,594

0

0

2,603,594 13,017,970

2,603,594 24,017,970

0

0 11,000,000

0

**EXHIBIT B** 

# **Common Project**

# **Tax Increment Revenue Estimate**

TIF No.	Name	2002	2003	2004	2005	2006
1, 11, 18	St. Anthony West	1,693,891	1,719,299	1,745,089	1,771,265	1,797,834
2	Cedar Riverside	3,399,546	3,450,539	3,502,297	3,554,831	3,608,154
3, 19	Grant	724,335	35,200	746,228	757,422	768,783
4, 10, 17	Seward	1,385,456	1,406,237	1,427,331	1,448,741	1,470,472
5, 15, 26	Holmes	1,779,798	1,806,494	1,833,592	1,861,096	1,889,012
6, 22	North Loop	6,082,135	6,173,367	6,265,967	6,359,957	6,455,356
7	West Broadway	561,600	570,024	578,574	587,253	596,062
8, 16	North WIP	2,045,151	2,075,828	2,106,966	2,138,570	2,170,649
9, 13	Industry Square	1,995,432	2,025,364	2,055,744	2,086,581	2,117,879
14	Broadway/35W	1,205,584	1,223,667	1,242,022	1,260,653	1,279,562
23	Hennepin-Lake	732,076	743,057	decertified	decertified	decertified
24, 35	Nicollet Island/East Bank	1,559,506	1,582,899	1,606,642	1,630,742	1,655,203
27	Franklin Ave	27,742	28,158	28,581	29,009	29,444
28, 29	Elliot Park	428,702	435,133	441,660	448,285	455,009
31	Nokomis Homes	213,571	216,774	220,026	223,326	226,676
33	20th & Central	120,147	121,950	123,779	125,635	127,520
34	110 Grant	655,738	665,574	675,558	685,691	695,977
36	Chicago-Lake	158,646	161,025	163,441	165,892	168,381
38	LaSalle Plaza	2,024,809	1,964,064	1,865,861	1,735,251	1,683,193
39	Block 33	7,887	8,005	8,125	8,247	8,371
40	IDS Data Center	2,339,162	2,268,987	2,155,537	2,004,650	1,944,510
41	NBA Arena	1,235,105	1,253,632	1,272,436	1,291,523	1,310,896
42	Neiman Marcus	1,973,400	1,914,198	1,818,488	1,691,194	1,640,458
43	Spring & Central	18,637	18,916	19,200	19,488	19,780
46	MILES 1	82,508	83,746	85,002	86,277	87,571
51	Loring Park (F/D - B)	4,494,881	4,562,305	4,630,739	4,700,200	4,770,703
52	Nicollet Lake (F/D - B)	471,601	478,675	485,855	493,143	500,540
56	City Center (F/D - B)	3,987,192	3,867,577	3,674,198	3,417,004	3,314,494
62	Conservatory	3,375,580	3,274,313	3,110,597	2,892,855	2,806,070
63	Convention Hotel/Retail	6,351,209	6,382,965	6,414,879	6,446,954	6,479,189
64	Laurel Village	1,278,219	1,297,392	1,316,853	1,336,605	1,356,655
65	Hsg for Chronic Alcoh	15,483	15,715	15,951	16,190	16,433
70	Camden Medical	28,847	29,280	29,719	30,165	30,617
71	United Van & Bus	36,561	37,110	37,666	38,231	38,805
73	Deep Rock	28,600	29,029	29,464	29,906	30,355
77	Impact Mailing	39,810	40,407	41,013	41,628	42,253
80	Lowry Ridge	56,152	56,994	57,849	58,717	59,598
83	Rosacker	98,917	100,401	101,907	103,435	104,987
84	Creamette	102,505	104,043	105,603	107,187	108,795
85	Phillips Park	39,550	40,143	40,745	41,356	41,977
86	West Side Milling	392,224	411,836	432,427	454,049	476,751
	Common Project Total	53,247,892	53,380,320	52,513,613	52,179,205	52,384,973
	Pre-79 Districts Total	32,118,182	32,420,531	31,901,244	32,067,456	32,394,703
	Non-Pre-79 Total	21,129,710	20,959,789	20,612,368	20,111,749	19,990,270

**BOLD** Indicates pre-79 Districts

EXHIBIT C

Non-Common Project Tax Increment Revenue Estimate

TIF No.	Name	2002	2003	2004	2005	2006
66	36th & Marshall	149,474	151,716	153,992	156,302	158,646
68	9th & Hennepin	55,120	55,947	56,786	57,638	58,502
69	SEMI I	488,712	496,042	503,483	511,035	518,701
72	SEMI II	198,718	201,699	204,724	207,795	210,912
75	Replacement Housing	8,484	8,611	8,740	8,871	9,004
76	Replacement Housing	30,689	31,149	31,617	32,091	32,572
78	SEMI IV	132,886	134,879	136,902	138,956	141,040
79	SEMI III	35,510	36,042	36,583	37,132	37,688
81	Housing Replacement	37,363	37,924	38,493	39,070	39,656
82	Housing Replacement	31,632	32,106	32,588	33,076	33,573
87	50th & France	139,854	141,952	144,081	146,242	148,436
88	Housing Replacement	8,025	8,145	8,267	8,391	8,517
89	Housing Replacement	8,590	8,719	8,850	8,983	9,118
90	Portland Place	49,582	50,326	51,081	51,847	52,625
91	SEMI V	122,278	124,112	125,974	127,863	129,781
92	Heritage Landings	678,600	688,779	699,111	709,597	720,241
	Depot	681,200	691,418	701,789	712,316	723,001
94	2nd Street N/Townplace Hsg	257,075	260,931	264,845	268,818	272,850
95	10th & Washington	48,053	48,774	49,506	50,248	51,002
96	East Village Hsg	105,143	106,720	108,321	109,945	111,595
97	Nicollet-Franklin	14,144	14,356	14,572	14,790	15,012
98	Humboldt Greenway	_	-	-	-	-
99	Grain Belt Brewhouse	_	_	_	-	-
100	Stinson Technology Campus	258,410	262,286	266,221	270,214	274,267
101	Former Federal Reserve	412,100	418,282	424,556	430,924	437,388
102	East Hennepin & Univ	21,623	21,947	22,276	22,611	22,950
103	Hennepin & Seventh	29,796	30,243	30,697	31,157	31,624
	Magnum Lofts	6,825	6,927	7,031	7,137	7,244
106	Housing Replacement	1,468	1,490	1,512	1,535	1,558
	2700 East Lake	2,457	2,494	2,531	2,569	2,608
108	Housing Replacement	390	396	402	408	414
	13th & Harmon	2,704	25,611	220,123	225,310	230,601
110	Shingle Creek	-	· -	· -	-	-
	Graco	5,736	5,822	5,909	5,998	6,088
	Urban Village	7,420	7,532	7,645	7,759	7,876
	Housing Replacement	468	475	482	489	497
Total Non	-Common Project TI Districts	4,030,528	4,113,852	4,369,688	4,437,118	4,505,586